

JPRS 80782

11 May 1982

West Europe Report

No. 1959

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

11 May 1982

WEST EUROPE REPORT

No. 1959

CONTENTS

THEATER FORCES

FRANCE

Political, Strategic Aspects of Neutron Bomb Examined
(Pascal Krop; LE MATIN MAGAZINE, 13 Mar 82) 1

TERRORISM

SWEDEN

Study Recommends Establishing of Special Anti-Terrorism Force
(SVENSKA DAGBLADET, 24 Mar 82) 6

ENERGY/ECONOMICS

FRANCE

Briefs
Energy Projects With Soviets 7

SWEDEN

Industry Confederation: Develop More Hydroelectric Power
(Sophie Petzell; SVENSKA DAGBLADET, 20 Mar 82) 8

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

French Journal Views FRG Economic Plight
(Claude Baroux; NOUVEL ECONOMISTE, 1 Mar 82) 10

FRANCE

Agriculture, Telecommunications Draw Investors To Malaysia
(Georges Bornes; L'USINE NOUVELLE, 1 Apr 82) 20

SWEDEN

Farm Economy Undergoing Crisis of Surplus Crops, Sales Drop
(SVENSKA DAGBLADET, 30 Mar 82) 24

Government Lacks Farm Policy, by Weje Sanden
Surplus Food Production Increases, by Ewa Hedlund and Weje Sanden

TURKEY

Industrial Exports Reportedly Rise by 105 Percent in 1981
(MILLIYET, 30 Mar 82) 30

POLITICAL

FEDERAL REPUBLIC OF GERMANY

Schmidt Gives Overview of Government, Party Situation
(Helmut Schmidt; VORWAERTS, 15 Apr 82) 31

SWEDEN

Paper Comments on Riksdag Foreign Policy Debate
(Editorial; SVENSKA DAGBLADET, 24 Mar 82) 78

MILITARY

FINLAND

Period of Basic Training, Officer Training To Increase
(Henrik Karlsson; HUFVUDSTADSBLADET, 2 Apr 82) 80

FRANCE

Army Renovates Data-Processing System
(ELECTRONIQUES ACTUALITES, 26 Mar 82) 83

Briefs

Antitank Helicopter Project Cancelled 85

SWEDEN

Debate of JAS Aircraft Continues as Decision Nears
(SVENSKA DAGBLADET, 19-20, 30 Mar 82) 86

Hirdman: 'Decision Must Be Made Now', by Sven Hirdman
Plane Would Increase 'Respect for Neutrality', by Sven Hirdman
Socialist Spokesman Cites Doubts, by Ulf Larsson

GENERAL

SWEDEN

Briefs
Country's Population Declining 97

POLITICAL, STRATEGIC ASPECTS OF NEUTRON BOMB EXAMINED

Paris LE MATIN MAGAZINE in French 13 Mar 82 pp 19-20

[Article by Pascal Krop: "N-Bomb, the French Way"]

[Text] It took CEA [Atomic Energy Commission] scientists and engineers 6 years to develop the French nuclear "minibomb" that kills troops without destroying their equipment. There is every indication that the government has approved its production. All the government now has to do is define the conditions under which this bomb would be employed.

The Soviet Empire has flared up. The big Russian brother had been unable to stand it any longer. So the Red Army and its million men are now moving across Europe. Some 30,000 tanks are driving in columns toward Germany. In Paris and Bonn, preparations are being made for a good old conventional-type war. By forming the French-German axis, France had renounced the concept of protecting solely its national sanctuary. It had put an end to its doctrine of immediate and massive retaliation.

The first wave of tanks are now across the Czechoslovak border and approaching Nuremberg. In the Western forces, hundreds of Lance and Hades missiles accompanied by 155-mm, 175-mm, and 203-mm howitzers start spewing their high-speed neutrons. Jaguar and Super Etandard aircraft are also dropping "the bomb." The action on the battlefield resembles an immense pinball game. The flow of high-speed neutrons penetrates armor plate without difficulty and then bounces from tank to tank. Concealed in their underground shelters, German and French infantrymen are shielded from the neutron radiation. Upon contact with earth and water, these neutrons gradually deteriorate.

Silence already reigns throughout the area. Death has come and gone, but the landscape remains unscathed. The German frontier has escaped the holocaust. It is not a barren mineralized land. There is little smoke, no spectacular scenes of destruction. The tanks are immobilized, but intact or nearly so. Here and there, one sees an uprooted and downed tree, a collapsed house. From inside the tanks, repeated moans can be heard. These Soviet soldiers will gradually die from radiation poisoning. A few civilians are also dying. They are neither burned nor buried. They have simply been exposed to a lethal dose atomic radiation: innocent bystanders who had not felt that war was near.

In Western headquarters, commanders and staffs are already rejoicing over this neutron "warning shot," a military significant tactic in that it has destroyed the first echelon of Russian tanks. The wonder "bomblet" that kills military personnel but spares civilians and the environment has brought the Soviets to their senses. The weapon's effectiveness has confirmed the hopes its designers had placed in it. Hadn't Jacques Chevalier, the CEA's director of military applications, referred to it as a revolutionary upheaval comparable to the introduction of the machine gun before 1914? The foregoing account is military fiction. It has not happened as yet. But it could have been written by one of the many supporters of the enhanced-radiation weapon. The neutron bomb has never been used, yet it already has a long history.

In February 1982, General Michel Rouyer, head of the Pacific Nuclear Test Center Directorate (DIRCEN), entered the Palais Fourbon. He had come there to brief six members of the National Assembly's defense committee who were to leave in a few days for Mururoa in French Polynesia. The parliamentarians' questions naturally centered on the neutron bomb. General Rouyer replied substantially as follows: "All technical problems have been solved. Everything is now ready. I can tell you that there is even no longer any need to conduct further tests."

The next step is, therefore, up to the government. The bomb has no lack of backers in military headquarters and staffs. Yet today it has even more numerous supporters among the socialists. In the Elysee Palace and the Ministry of Defense, reports dwell upon this weapon's technical advantages. Does this mean that the political decision has been made? On Francois Mitterrand's authority, several meetings of the Defense Council have placed this item on their agenda over the past few months. The council did not discuss any scientific problems, but did indeed tackle the problem of what role this tactical bomb should have in the French strategy of deterrence. This logically means that, to all intents and purposes, the decision to mass-produce the weapon has been made. To be convinced of this, one need only recall how France ventured into the military nuclear field. Officials of the Fourth Republic never announced their intention of making the first bomb. But they created all the conditions--starting with the funding of research, development, and tests--which made its production possible. The decision to build a new weapon is never abrupt.

France will be the third country to arm itself with the enhanced-radiation weapon. The United States had for several years possessed the technological know-how to build this weapon when in the summer of 1981 President Reagan approved its production. The USSR has stated several times that it has mastered the weapon's technology.

This statement is undoubtedly correct. The neutron bomb is not a new-era weapon. Its design requires no revolutionary technology. The first tests which culminated in its design date back to 1940 [as published]. At that time, the Americans detonated their first fusion-type weapon, the hydrogen bomb. They continued to intensify their development studies. Some 17 years later, in October 1958, at the Nevada Test Site, during the Plumbbob and Hardtack-Phase 2 series of tests, observers were surprised by a number of very

low-yield shots. Researchers from the Livermore Branch of the Lawrence Radiation Laboratory were conducting the first serious development tests of the enhanced-radiation weapon. One year later [as published], the United States and the USSR agreed to suspend nuclear weapon tests. Work on the neutron bomb was then suspended for a long time. American military researchers turned to neutron bombs again in the 1970's. Some 5 years later, they had developed the weapon.

Informed of their ally's work in this field, the French then became interested in the neutron weapon. CEA engineers were familiar with the weapon's basic principles but they did not have the Americans' experience. Actually the neutron bomb is a thermonuclear weapon like many others. All nuclear weapons have three principal effects: blast, thermal, and radiation. Fusion-type weapons, the most numerous, enhance the first two effects which cause massive destruction. By contrast, the neutron bomb releases its energy mainly in the form of prompt radiation. The energy released by the detonation of a fusion-type weapon can be accounted for in the following forms: 50 percent as blast or shock, 35 percent as heat, 5 percent as prompt radiation, and 10 percent as residual radiation. In comparison, the neutron "bomblet" releases 80 percent of its energy in the form of radiation and 20 percent as blast and heat. Following their feasibility studies, the French began their first tests at Mururoa in 1976. But DIRCEN and CEA officials then encountered numerous technical problems. The first difficulty was the weapon's miniaturization. To be delivered by artillery shells or missiles, the neutron weapon has to be relatively light.

It took the French several years before they finally succeeded in testing devices with an explosive force of less than 1 kiloton. The second difficulty was target acquisition. Designed to attack armored columns that are mobile by nature, the weapon system armed with a neutron warhead must be equipped with a "shape-recognition homing guidance system." CEA engineers seem to have also surmounted this obstacle.

After researchers had completed their work, strategists began theirs. The technological problems having been solved, an employment doctrine had to be found for the weapon. General Mary, former armed forces chief of staff, recently outlined an initial tentative formulation of such doctrine in the March 1982 issue of the REVUE DE DEFENSE NATIONALE. First of all, the "nuclear Maginot Line" concept. This tactical concept was developed jointly by Colonel Marc Geneste, a Frenchman, and Samuel Cohen, an American physicist and one of the "fathers" of the bomb. This concept calls for construction of concrete bunkers all along the Iron Curtain. These underground fortifications, which Cohen compares to the walls of ancient cities, would be positioned throughout a 20-mile wide strip inside allied territory. This border defense system would require 5,000 neutron weapons, approximately 1 per 10 tanks. According to experts,* however, this plan is not very realistic. Draw your own conclusions from the following pertinent figures. The total surface area

* STRATEGIE, Nos 3, 4, 5, and 8; Hotel des Invalides, Paris 7.

required for these fortifications would be some 25,000 square kilometers, or one-tenth of the FRG's territory. This measure would require NATO to evacuate, in peacetime, several large German cities like Wolfsburg or Gottingen. Furthermore, this theory is hardly politically feasible because it would imply France's return into NATO's integrated command structure.

Another problem: Is the neutron bomb a battlefield weapon? Would it oblige France to change strategy? There is no need to belabor this point ad infinitum, the "bomblet" is definitely a battlefield weapon. It is incapable of attacking submarines, unable to destroy missile silos, and ineffective in penetrating concrete shelters for aircraft. It is useful solely on the battlefield. There its radiation is deadly to infantryman in the open and to tank crews shielded by standard steel armor plate. With its properties, the neutron weapon can obviously participate in the "warning shot" fired by French tactical nuclear forces. But is it really advisable to arm our forces with a weapon whose research and development are very costly, and then simply use it as an ordinary tactical missile?

Communists have always answered this question in the negative. For years now, their military specialist, Louis Baillot, has thundered his total opposition to this bomb he claims has nothing to do with nuclear deterrence. Like the Soviets, the PC [French Communist Party] views this weapon as an immoral consequence of capitalism. "It kills people and spares property," explained L'HUMANITE. "This obscurantist propaganda is meant to cater to people's imagination and tends to revive medieval terrors. Nuclear war is never beautiful. Its purpose is extermination. And who would dare claim that the ordinary Nagasaki and Hiroshima bombs were gentler to the Japanese than neutron weapons would have been?"

Bound by ties of governmental solidarity, the communists have, however, bottled up their anger. Several months ago, the PC had announced that it would launch a national campaign against the neutron bomb. It now seems to have dropped that idea. It is also interesting to note, as a sidelight, that a PC member of parliament, Jean Combasteil, was an observer at a nuclear test at Mururoa some 2 weeks ago. In all probability, this was one of the latest test shots of the enhanced-radiation weapon. To the best of our knowledge, the communist deputy from the department of Correze has still not raised an official protest. Above and beyond the controversial or moralistic arguments, the French neutron bomb is a political issue. Francois Mitterrand's attitude is definite proof of this.

Between the two rounds of the presidential election, he categorically stated that employment of the bomb "fitted into the forward-battle strategy," and that this implied discussions with the allies and created problems. "That is why," he added, "I do not favor construction of the neutron bomb." After becoming president, Francois Mitterrand noted again, on 24 September 1981, that France was in a good position as far as development was concerned, but that it did not see the weapon's application at the present time.

A logical position, as long as France does not publicly reappraise its defense concepts. The socialists are aware of this. The June 1980 statement by the

Socialist Party's executive committee, which advocated continued development but no deployment of the bomb, clearly defined the issue. There are not umpteen conceivable strategies for France. There are only two possibilities warranting consideration. The first gives priority to an omnidirectional strategic deterrence based on "sanctuarization" of French territory. This policy requires continuous modernization of strategic nuclear weapons, whether they be submarines, missiles, or bombers. Tactical weapons are superfluous in this particular case. As for the famous "warning shot" before launching any massive retaliatory strikes, France could quite effectively do this with simply its existing arsenal. Such was formerly Francois Mitterrand's view.

But the chief of state has since changed his opinion. He is now convinced that France cannot indefinitely continue its policy of splendid isolation in defense matters. Sooner or later it will have to reckon with the European economic complex. Hence Francois Mitterrand's announced desire to renegotiate France's position within the Atlantic Alliance. Hence the efforts by Georges Lemoine, the secretary of state to the minister of defense, to establish a European defense system based upon a powerful French-German axis. This line of argument presupposes that France will agree to start fighting at Germany's eastern border and no longer only at the Rhine. This would mean that the French would station their nuclear-armed artillery regiments inside Germany, with, of course, the assent of the German authorities. In such a situation, the neutron bomb would be highly useful.

At the present time, French socialists are leaning toward this European solution. It goes without saying that it raises a number of questions. The Americans will not easily accept having their monopoly on the use of nuclear weapons challenged in this fashion. As for Germany, currently being swept by an unprecedented wave of pacifist feeling, it continues to assert its opposition to any deployment of the bomb, as Chancellor Schmidt reiterated recently. Even in France, this new strategy will entail a political realignment. Gaullists and communists have constantly voiced their opposition to such plans. The controversy over "the forward battle" has only begun.

8041
CSO: 3100/556

STUDY RECOMMENDS ESTABLISHING OF SPECIAL ANTI-TERRORISM FORCE

Stockholm SVENSKA DAGBLADET in Swedish 24 Mar 82 p 7

[Article: "Police Proposal. Special Anti-Terrorism Force"]

[Text] Emergency troops in Molmo, Goteborg and Stockholm of a total of 291 police should be specially trained to manage serious terrorist attacks in Sweden.

The forces, 60 men each in Malmo and Goteborg and 171 in Stockholm, will primarily protect the country's nuclear power stations.

The proposal, developed by a project group within the National Police Administration, is now on the government's table.

Of the emergency force a so-called break-in force with 20 men at each place will be ready to move out on short warning 24 hours each day. Within 4 hours it must be possible to bring into action an additional 10 men from each group.

The forces must be well armed with weapons and technical auxiliary equipment. Equipment and vehicles will cost the government 5.24 million kronor.

Military Transports

The project group also proposes that the military be assigned to assist with transports for coordinated actions and long distances. The armed forces' VTOL helicopters are required for longer transports.

"The military involvement applies only to transports. Other use of military personnel is out of the question," says Director General Lennart Printz in the National Police Administration.

Attacks against nuclear power stations are given priority with respect to military assistance. In the directions by the nuclear power inspection it is pointed out that vital areas inside a nuclear power station occupied by terrorists must be retaken within a couple of hours.

The emergency troops can be ready for action approximately 18 months after the government's decision.

BRIEFS

ENERGY PROJECTS WITH SOVIETS--French-Soviet cooperation in energy-related matters is expanding. Six areas of cooperation were approved in 1978: hydroelectricity, nuclear-generated electric power, thermoelectricity, nuclear-generated heat, interconnection of electric power systems, and new sources of energy. Another subject area was added recently, namely more efficient use of energy (fuel and electricity conservation both in production and consumption). In addition, a French-Soviet industrial consortium has been bidding on foreign energy projects. Its bid was accepted for construction of a 300-megawatt lignite-burning steam-turbine electric power plant in Greece (Soviet turbines and French generators). Furthermore, Nikolay Lopatin, the Soviet first deputy minister of electrical energy, has revealed that the consortium is in a favorable position with respect to a project in Morocco. Other projects for export sales of equipment are under study. Lastly, a cooperation agreement on pressurized water nuclear power plants and fast reactors is expected to be signed in a month between the CEA [Atomic Energy Commission] and its Soviet counterpart. [Text] [Paris L'USINE NOUVELLE in French 1 Apr 82 p 51] 8041

CSO: 3100/554

INDUSTRY CONFEDERATION: DEVELOP MORE HYDROELECTRIC POWER

Stockholm SVENSKA DAGBLADET in Swedish 20 Mar 82 p 21

[Article by Sophie Petzell: "Report from the Industry Association: 'Swedish Electric Power Replaces the Oil' "]

[Text] Parliament and the politicians have miscalculated: It is possible to replace considerably more oil with electric power than anybody had counted on. If in addition one or two of the untouched Norrland rivers are developed, it is possible to save 5 million cubic meters more oil than estimated, maintains the Industry Association.

The spokesman of the Industry Association, the Electrolux director, Hans Werthen presented the association's energy proposal on Friday. He started by disposing of all those alternatives which the politicians expected would replace the oil. "Turf, sun, wind, chips and coal cannot produce 70-90 TWh toward 1990 without extremely large economic sacrifices," said he.

Coal is the only alternative to oil, but it takes time to develop the system and the environmental regulations lay obstacles in the way. The only thing left to invest in is electric power, which in addition is based on national sources and does not adversely affect the balance of trade.

Big Mistake

Hans Werthen and the experts behind him emphasize that the energy reports from recent years never took into consideration to what extent electric power can actually replace oil. In the worst case it has been assumed that the amount of energy in oil, for instance, calculated in kilowatt hours, kWh, is directly comparable to the kilowatt hours in electric power. This is a big mistake, believes the Industry Association's analyst.

The Industry Association calculates with a so-called fuel replacement factor--a measure of how different types of energy can be replaced with each other for the consumer. The oil replacement factor indicates how many kWh of oil can be replaced if the consumer instead uses 1 kWh of electricity. On the average the factor is two--thus one can replace one apple (oil) by two pears (electric power), maintain Hans Werthen and the report.

There are extreme examples that the factor can become 40--for instance, at Saab where infrared heat in a short period of time can dry car lacquers with

heat which is only directed against the lacquer layer. The oil heating heats up the cars, and besides the air around them was not precisely the same. For 1 kWh it thus required 40 kWh of oil. A factor of two is thus more normal.

Four Ways

"Electric power can replace oil in four ways," say the analysts; "through direct electric heat for processes and heating houses, by using electrically-operated heat pumps, through small heating furnaces for homes and through large electric furnaces which are used only when the demand for electric power is low, for instance, during the summer."

If, for instance, 30 TWh of electric power is used in this way, we can reduce the oil consumption by 6.5 million tons. In addition, if we succeed with approximately one-half of the measures in the government program for replacing and saving oil, we can reduce the consumption by a total of 11--12 million tons.

In the proposition which was adopted by Parliament last year the politicians expected that the oil consumption of 29 million cubic meters in Sweden in 1979 would be reduced to 15--19 million between 1990 and 1995. The Industry Association maintains that it is possible through increased use of electric power to reduce the consumption to 10--13 million cubic meters. Last year's consumption was approximately 22 million cubic meters.

To achieve this a total electric power production of 140 TWh is required in Sweden at the beginning of the 1990's. This is ten more than what is now estimated. Water power and nuclear power, which today give 100 TWh, then give 120 while 10 TWh are added in coal-fired back-pressure power stations.

Expansion

The Industry Association wants the extra 10 TWh required for the program to be created by developing the already developed rivers even more and by developing one or more of the undeveloped rivers.

Managing Director of the State Power Board Jonas Norrby has already spoken in favor of this. He points out that the Vindel and Kalix rivers have already been discussed in this connection. He says that the Social Democrats have been positive to developing Kalix river. He is also very positive to the idea of an increased investment in heat pumps. Several types of such pumps are commercially possible already today.

Adequate

Energy Minister Ingemar Eliasson was not available for comments on Friday, but a spokesman for his energy sector in the department said that electric power is about adequate today and that the decision not to develop the four untouched rivers still stands.

Hans Werthen maintains that the work with an investment in electric power should give 10,000 new jobs. If the investment is not made, one would instead have to carry out a hard restrictive policy in order to limit the deficit in the balance of trade and that gives 100,000 unemployed.

FRENCH JOURNAL VIEWS FRG ECONOMIC PLIGHT

Paris LE NOUVEL ECONOMISTE in French 1 Mar 82 pp 42-48

[Article by Claude Baroux: "Germany Seized by Doubt"]

[Text] Troubled over its future, the FRG is no longer willing to make concessions. This is why the arrival in Paris of Chancellor Schmidt, who has just met with President Mitterrand, was preceded by an attack against "france's mercantilist policy."

Barely 6 weeks after Manfred Rommel, burgomaster of Stuttgart, said that relations between France and Germany were "at their most compatible since Charlemagne, "in the FRG criticism began mounting against the French policy "to reconquer the domestic market." A curious way to prepare the terrain for the moment when President Mitterrand was making ready to receive, on Wednesday, Chancellor Helmut Schmidt for the 39th Franco-German Summit.

What is the meaning of this sudden bitterness? Aren't Mr Mitterrand and Mr Schmidt doomed to rely on each other, the first so that his economic policy won't make him seem too isolated in Europe, and the second to appease his leftist and neutralist opposition?

At first sight, the reason for the dissension is minor, namely, the measures to support the textile industry by reducing employers' social security assessments. But the German reaction is brutal. "France is following a mercantilist trade policy that should bring about the departure of 14 French industries from the Common Market," thundered Hans Hartwig, president of the Wholesale and Import-Export Trade Federation (100,000 firms, 1.6 billion francs in turnover), last week. In a report published a few days ago, the Federation of Chambers of Commerce and Industry also denounced these measures "counter to the letter and spirit of the Treaty of Rome." And even the president of the Bundesbank, Karl Otto Poehl, accused France of disloyalty in protecting its firms from foreign competition! As for the economy minister, Otto von Lambsdorff, who came to Paris to prepare for the meeting between Schmidt and Mitterrand, he made it quite plain that his government could retaliate, by referring the matter to the European Court of Justice, for instance.

Why have the reactions been so strong? Are the Germans really worried about the impact of the changes in France? Are they afraid that France will raise

other protective barriers against the exporters on the other side of the Rhine? The truth of the matter is that the FRG can no longer afford to hand out gifts to its trading partners or to serve as the locomotive that pulls along the lagging western economies. It has finally run out of steam too. It is just coming out of a particularly difficult 3 years when it accumulated internal and external deficits, and saw its currency decline--even vis-a-vis currencies of the European Monetary System--and unemployment increase. Of course, its trade balance has shown a strong recovery, its current balance of payments is again leaning toward equilibrium and its inflation is moderate. But to all appearances, the liabilities have increased considerably in the past 3 years.

First there is unemployment, which could jeopardize the famous social consensus that has largely contributed to the FRG's prosperity, but which has not yet developed to that point. The German labor unions have always accepted layoffs whenever they felt that they were necessary for the survival or adaptation of their firms in the face of competition. But the growth of unemployment is virtually exponential. In 1965 unemployed workers in the FRG numbered 147,000. This figure doubled in 1973, and then again in 1974, and once again in 1975 and again in 1981, to approach 2 million unemployed this year. Added to this are about 500,000 partially unemployed. The number of job openings has fallen to less than 1.3 million. "This is the lowest figure I can remember," noted Josef Stingl, who heads the Federal Labor Bureau. At the end of January, 7.3 percent of the working population was unemployed, as compared to 4.3 percent the previous year.

It is true that one does meet Germans who are surprised by these figures. Sincerely surprised, like Petra, 22-year-old blond waitress who works in a restaurant in Frankfurt, capital of Hesse. "I quit my old job the day before yesterday. I found another job the same evening." Or frankly indignant, like Hans, a 32-year-old chemical engineer in Stuttgart: "Half of them are good-for-nothings who would rather stay home since the government pays them for doing nothing." But citizens such as the one from Hesse are "privileged" in comparison with others. Who could argue that there is no real unemployment in Lower Saxony (9.3 percent of the working population unemployed) where Pelikan, one of the largest names in office supplies in the world (a DM 1.4 billion business employing 12,000), is closing down? Or the Saar (9.1 percent), where a steel and coal crisis is in full swing? Or in Schleswig-Holstein (9.1 percent), with its fishing and shipyard problems?

This employment crisis is costing the public dearly and is aggravating the budget deficit, the Achilles heel of the German economy. In balance up to 1973, government finance has been consistently deteriorating ever since. The public debt has gone from 18.4 percent of GNP in 1973 to 31.3 percent in 1980. The combined debt of the federal government, the states and the municipalities has become structural. "It is the failure of the welfare state," the opponents of social democracy, led by Franz-Josef Strauss, claim relentlessly. Members of the coalition in power, the liberals of the FDP, however, are not far from thinking the same thing. "This cannot go on any longer. We cannot live perpetually on credit," Count von Lambsdorff, minister of economy and one of that party's three representatives in the government, observed quite rightly.

This is why the economic recovery program which was just passed by the Bundestag--DM 12 billion distributed over 4 years--has created bitter controversy. "Growth must be oriented toward special priorities," suggested Alois Pfeiffer, the 58-year-old vice president of the DGB (by far the major confederation of German labor unions, with nearly 8 million members), during a forum on employment held on 26 January. He is a friend of Chancellor Schmidt and the likely successor to the current president of the DGB, Dr Ernst Oskar Vetter.

The liberals did not view it that way. The main provision of the program approved by the Bundestag on 24 January is an investment subsidy financed by an increase in the VAT [value-added tax] from 13 to 14 percent--should the Bundesrat, the upper house, decide to approve it, which is far from certain. The principle of an increase in gasoline, which is less expensive than in France, was abandoned. "We are not entirely satisfied. We were hoping for more, but this is better than nothing," said Mr Pfeiffer.

Appetite

As for employers, it is not certain that the fiscal "carrot" is going to whet their appetite. Many did not want it and considered that, in view of the current world economic situation, it was imperative...to do nothing. More appreciated is the decontrol of rents, which, according to Rolf Rodenstock, president of the Industri; Federation in Cologne, should boost construction, currently in a state of crisis.

However the impact of these measures will be weak. "A number of companies have unused production capacities," Heinz Kremp, director of the Frankfurt Chamber of Commerce and Industry, explained to LE NOUVEL ECONOMISTE. "If they decide to invest, it will not necessarily be to hire more workers, but may be to install new, more sophisticated machinery. To really improve the employment situation, conditions have to be conducive to it, which means that interest rates must first move closer to the monetary erosion rate."

The problem is that the FRG, whose inflation rate is close to 6 percent, cannot lower its interest rates--10 percent for the special Lombard--without running the risk of weakening its currency and thereby encouraging imported inflation. Should it try to boost its economy in this way, it would run the risk of encouraging capital outflow instead. This is what Chancellor Schmidt had in mind when he expressed irritation with the Americans, whose currency is artificially supported by very high rates that "hamper the struggle against unemployment in Europe." However, while waiting for the American Federal Reserve to show its good will, profits of German companies are decreasing, investment is stagnating and the number of bankruptcies is increasing: 9,100 in 1980; 12,000 in 1981. These figures nevertheless are considerably less than in France (17,300 and 20,000).

Another question is whether or not German workers will be able to be patient. What is sure is that more and more of them are doubting the virtues of their economic system--the social market economy--which for a long time has been presented as a model to enable them to escape the common problems of industrialized countries, as did Japan.

The evolution, over the past few years, on the cover of a magazine like DER SPIEGEL is in any case revealing. The 21 November 1977 issue of this weekly depicted Germany as a triumphant eagle wearing a pointed helmet, sitting on a Mercedes with a huge cigar in its beak and its talons resting on thick stacks of marks. On 18 January 1982, the eagle became a timorous old man roosting at the top of a decrepit staircase which was cracking underneath, and the caption read: "The Agony of the Germans."

The decline is reflected in an enormous flow of capital to the Americas or Australia, because people are afraid not only of plunging still further into the crisis, but also of a war in Europe. "The Germans have become easy prey for swindlers," jokes a money manager. "Anybody now could sell them a meadow in the Colorado desert or a beach in Death Valley."

This is impossible to fully understand without recalling the circumstances in which the FRG forged its power. Economists distinguish three periods. The first (1960-69) was a time of strong expansion when an undervalued mark upheld exports. The second period (1969-73) marked a turning-point. The third (1973-81) was characterized by an overvalued currency, a rapid rise in wage costs per unit produced and an increase in domestic prices. During the first period, the FRG accumulated trump cards: a high degree of specialization, particularly in chemicals, engineering and electrical equipment. All of this was aided by excellent commercial organization: rapid, punctual delivery, and dependable after-sales service. The German economic boom was impressive at that time. Beginning in 1969, the mark became a currency as sought after as the Swiss franc. Between 1969 and 1973, it advanced by more than 47 percent against the dollar. It continued to advance by as much during the next 6 years, at a time when a strong currency was not a handicap for an economy--quite the opposite. In fact, imported prices declined without eliminating Germany's trade surpluses. This is the "virtuous circle" which enabled it to adapt quickly to the first oil crisis, to everyone's surprise. Despite the increase in its energy bill, the FRG continued to accumulate current surpluses in 1974 and 1975! Germany's economic power was at its height. People did not yet know that it was soon to begin its decline.

In 1979, however, the trend suddenly reversed itself. Current payments showed a deficit of 9.6 billion marks. This deficit widened in 1980 (29.8 billion) and in 1981 (17.5 billion). Thus for 3 consecutive years, the German current payments balance showed a serious deficit. In 30 years, that had happened only in 1950, 1962 and 1965.

Why? Because--and this is the second surprise--German industrial plant and equipment had lost its edge. Manufacturers were able to continue to meet world demand, but to keep their share of the market, they sacrificed their profits, along with their investment capacity, in defiance of the "Schmidt theorem," according to which "the profits of today are the investments of tomorrow and the jobs of day after tomorrow."

At the outbreak of the second oil crisis in 1979, when the Japanese were experiencing their boom, the FRG no longer had the reserve of power it had at the time of the first crisis.

This did not prevent Germans from spending more money than ever abroad: In 1980, the negative balance for tourism (28 billion marks) was nearly as much as the record current payments deficit! Exchange brokers became all the more concerned over this enormous capital outflow when, at the Bonn economic summit in July 1978, Chancellor Schmidt, with his "locomotive program," agreed to a budget deficit of 1 percent of GNP. This decision is deplored by many German leaders today. Karl Otto Poehl, president of the Bundesbank, grimly noted: "This measure did much more to encourage the entry of foreign goods than it did to contribute to domestic growth." Rainer Hellman, from the RWD economic agency, said in a nicer way: "This Keynesian influenced decision is the apple into which the German Eve innocently bit." The fact remains that several months later, the FRG paid dearly for the fruit of this recovery. The mark was being sold on all the exchange markets, inflation was on the rise, the terms of trade were deteriorating. The "virtuous circle" became a "vicious circle." "This is the end of the German miracle," observed economist Jacques Plassard, director of Rexeco, at the time.

Apparently powerful firms became rocky. This was true of AEG-Telefunken, the 13th enterprise in Germany, 96th in the world, with a nearly 30 billion franc business in 1980 and more than 100,000 workers (almost a third were laid off in 2 years). This was an exemplary case that would create a sacred union between banking and business. Otherwise, it would be bankruptcy, with repercussions that would undoubtedly be dramatic. The only other alternative would be to let the government take care of it--an alternative considered unacceptable in this country of free enterprise.

"Their engineers were undoubtedly as good as their competitors," explained a Frankfurt banker to LE NOUVEL ECONOMISTE. "But their management was bad and their strategy wrong. The officers of the AEG wanted to be involved in everything, from consumer goods to heavy equipment. But they suffered a heavy loss with the nuclear power plants. This disaster sapped the country's blood." Today the financial salvage operation is being conducted by surgical restructuring, in which some 25 large companies are involved, including Siemens, Hoechst, BASF, Mannesmann, Bosch and a banking consortium. Despite this exceptional support--banks are granting subsidized credits--the new 18-year-old boss, Heinz Durr, whom Hans Friderichs, president of Dresdner Bank, snatched away from his family business in Wurtemberg, is still losing money. "But less than before," his friends, who are praying that this operation, which has been made a symbol, will succeed, say consolingly. No one, however, is willing to hazard the slightest guess as to its chances for success.

Another famous company whose difficulties at this time cause chroniclers to smile is Grundig. Like Bauknecht and many German firms, this is a family-owned firm managed up to the beginning of this year by a man with the manners of a patriarch, Max Grundig. This active septuagenarian, who does not mind showing himself in the company of pretty women, was linked a few years ago with Maurice Messegue, a healer and the mayor of Fleurance in Gers, whose friendship--and herbs--he enjoyed. One day in 1975, the mayor convinced the industrialist to build a television set factory in his town. The members of the board at Grundig were dumbfounded, and their first move was to run to look at a map. With all against one, they forced "Mr Max" to renege on

his decision. One brazen member even telephoned him on a Sunday at Davos, where he was on vacation. The member was fired on the spot. In March 1980, they had to defer to the evidence: It was a fiasco. Today the factory is closed. In the beginning of February Max Grundig had to give up his position as president of the supervisory board to Berthold Beitz, who was already president of the Krupp supervisory board. The chairman of the board of directors, Kurt Hackel, resigned in turn.

Although more reasonable, the decision to build an enormous steel mill at Dortmund--far from the Rhine--made Hoesch the subject of criticism as well. The president of the BASF publicly labeled some investments made in the north of Germany by his competitors as "stupidity."

German industry obviously cannot afford many more unhappy "experiments." New competitive conditions do not allow it. Nor can it remain idle. Seeing its domestic market shrink as the population ages and foreign firms become more aggressive, it has only one goal: to sell abroad at any cost. This, of course, includes the countries of the East that absorbed 5 percent of Germany's exports in 1980. Its single obsession is the Japanese, who have sounded the death knell for the German camera, watch and clock, motorbike, Hi-Fi and shipbuilding industries.

The Japanese are not content their automobile industry having become the leading one in the world last year (their production went from 7.1 million in 1973 to 11 million, while that of Germany went from 3.2 to 4 million; of France, from 3 to 3.4; and of the United States, from 12.6 to...8). They have come to torment German industrialists and to take over their turf. Oberkassel, a suburb of Dusseldorf, for instance, has become a real Japanese town. Several thousand Japanese have moved in with their wives and children, working for dozens of Nipponese companies built on the banks of the Rhine.

Is the German star passing, as they say, "behind the hill?" In a recent study, the IFO economic institute in Munich reported that the FRG was losing ground to Japan in its traditionally strongest sectors, such as steel, electrical and electronic engineering, precision mechanics and optics. At zero in 1974, Germany's trade deficit vis-a-vis Japan was more than 6 billion marks in 1980 and nearly 9 billion in 1981. Moreover, Bundesbank statistics show that in 1980, the trade balance was, for the first time, in deficit in the highly important mechanical engineering sector! "The results of competition are clear," commented the Societe Generale: "Others have caught up with and sometimes surpassed the FRG in all sectors. It is now increasingly encountering competition on its most secure markets and in its basic goods."

In another study entitled "Disindustrialization at the Heart of the German Model," published by French Documentation, Laurent de Mautort observes: "Whether or not Germany can keep its international position during the 80's is going to depend to a great extent on its capacity to protect micro electronics in the strong sectors of its industry. Technological forecasts show that it is precisely the engineering, automobile and electrical industries that will undergo the greatest transformations as a result of electronics."

Another handicap which Roger Falck, director of the German office for industrial development in France, has emphasized; energy. Mining of coal and lignite, in which Germany is still rich, is becoming more and more expensive. The nuclear program, however, has been considerably slowed down under pressure from ecologists. France has twice as many power plants in operation and three times more under construction. This is one of the reasons why the Germans installed 300 factories in France in the past 10 years. And the situation is not improving: At the beginning of this year, Andreas von Bulow, minister of research, announced that work on the Kalkar breeder reactor had to be suspended for lack of funds. Some 5 billion francs are needed to complete the project. So that work will continue, the private companies have just agreed to a considerable increase in their contributions.

The second--and perhaps the most serious--reason for the gloom hanging over a growing part of the population is that Germans no longer tolerate their country always being considered a "political dwarf" at a time when they are questioning whether it is still an "economic giant." This tendency is reflected in a dual rejection. First, a rejection of the language of politicians and labor union leaders. "They always say the same thing. People don't believe them any more. So they turn to religion, to Krishna, to protest groups and violence," observed a professor of sociology at Bonn university. Won't the famous "social consensus," based on past success, come out of this experience in pieces? In any case, the image of the DGB--whose bank was attacked last week--has paled considerably following the scandal of the Neue Heimat (one of the largest construction firms in the world), which is controlled by this union and whose leaders have been accused by the press of lining their pockets. The second rejection is of the "American model" and the edicts from Washington. "We want to be masters of our own destiny, Helmut Sorge, a SPIEGEL reporter who believes that "what is called neutralism is perhaps only the start of a new nationalism," said forcefully.

What is certain is that Federal Germany is changing. In its relations with the East: "The USSR can do us a great deal of harm, so we don't intend to provoke it by adding Pershings to the 100,000 nuclear warheads already installed on our territory," said a young reserve officer who--along with several hundred others--just burned his military service record at the main square in Mannheim. In its relations with the West: "We don't have anything against the Americans, but we are afraid that the Reagan team will make decisions that will trigger a war in Europe without even consulting us," the leader of a peace movement said on German television the other evening, and added that he would rather "be red than dead." And, finally in its relations with itself. "You see fearounting everywhere," says Roland Freudenstein, a 22-year-old student of economics and the leader of the RCDS, [Christian-Democratic Student Ring] a movement close to the Christian Democrats (CDU). "Young people breaking with the ideology of their parents, an ideology expressed in social success and economic efficiency, are increasingly common. So common in fact that it is no longer possible to regard them as marginals. The hard-working, disciplined German is a figure of the past."

The Turning

So, is the FRG, in search of its national identity, in danger of missing the industrial turn of the 21st century? "Not in the chemicals industry, in any case," smiles Alain de Krassny, a 44-year-old chemical engineer from Berkeley and Insead, who manages Rhone-Poulenc GmbH in Frankfurt. "If we are lagging behind a little in biotechnology, we are in the process of catching up." Even if Hoechst, Bayer and BASF, first, second and third in the world, together have lower profits than the fourth, Du Pont de Nemours--and this even though each has a turnover higher than Du Pont's--they still are the envy of many. Just like Thyssen, number one in the world in steel: Its 1980 profits were eight times less than those of Nippon Steel, number two (262 million francs as compared with 2.1 billion). Thyssen even lost a little money last year for the first time. But, compared with the British and French steel industries....As for Mannesmann, third in the world engineering (15.5 billion mark turnover), and very involved, along with Creusot-Loire, in the gas contract with the USSR, its 1981 profits were higher than in 1980.

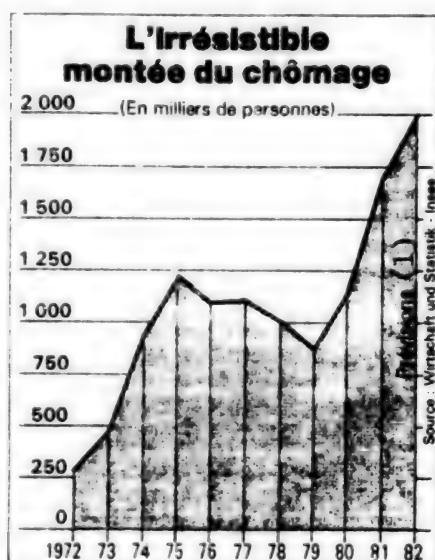
Thus, after overestimating German strength, we must not overestimate its weakness. Even though--because of the crisis, the brewers say--Germans are reduced to drinking less beer! When you walk along the streets of Frankfurt or Bonn, Germany does not give the impression of a country that has fallen apart. Stores close at 6:30 pm, but boutiques stay lit every day until midnight. Restaurants are full. Bankers, who were also severely affected by the crisis and who are aware, as Franz-Josef Trouvain, an economist at the Deutsche Bank said, that "the industrial world and specifically the FRG are entering a new era where everything is still to be invented"--even these bankers are somewhat optimistic. "I do not have very much confidence in Chancellor Schmidt," announced Dr Kurt Richenbacher, the 64-year-old former director general and present consultant of the Dresdner Bank. "But I am confident in the mark and in the German economy."

Moreover, 1982 forecasts, those of both the OECD and the government, which agree for once, are relatively encouraging. Inflation is to go down from 5.9 percent in 1981 to 5 percent (with the FRG the first country in the world behind Japan for price stability), the balance of payments deficit will practically disappear, and there will be an economic upswing (a modest one, amounting to about 1.5 percent in volume, but it follows the recession of 0.3 percent in 1981). The negative aspects are unemployment and the budget deficits. "All considered, it is an enviable situation in comparison with France, whose trade balance looks like that of a developing country--excluding arms--and who will soon be unable to export," said Dr Jetter, Paris correspondent for the FRANKFURTER ALLGEMEINE ZEITUNG, sarcastically.

France has undoubtedly just leapt into the unknown and the current socialist experiment involves huge risks. Maybe, as Helmut Schmidt just said to a British journalist, Francois Mitterrand will have "a communist fire lit under him" without the Polish events. But Federal Germany has rarely had so many challenges to take up at the same time. It is nearly an insurmountable task for the current chancellor, who is moving forward onto increasingly dangerous ground. Unlike the French president, he is in no way assured of continuity.

Not only do his liberal allies seem to be on the verge of leaving him, but his party runs the risk of becoming a minority in congress in April. The present leaders of the SPD must in fact cope with a serious internal crisis. Half of the regional federations have come out against the project to deploy American missiles, to which the chancellor seems to have tied his fate. The people have risen up against the party's authoritarian methods, that no longer represent "the people's will." It is a public outcry that is pushing Helmut Schmidt toward early retirement. This is of great concern to some business circles--but not all--that are afraid of seeing Willy Brandt, the champion of "Ostpolitik," reappear at the chancellery.

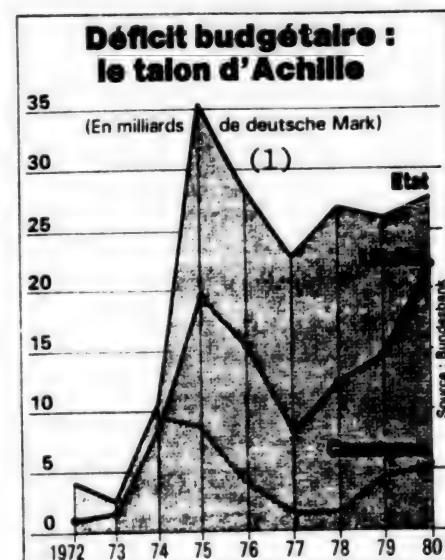
The Relentless Climb
of Unemployment
(thousands of persons)



Austerity has made the number of job seekers shoot up. No hope for improvement in the near future.

(1) Forecasts

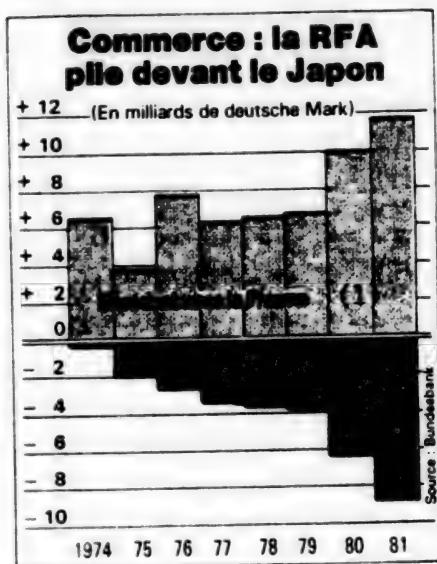
Budget Deficit:
Achilles Heel
(in billions of marks)



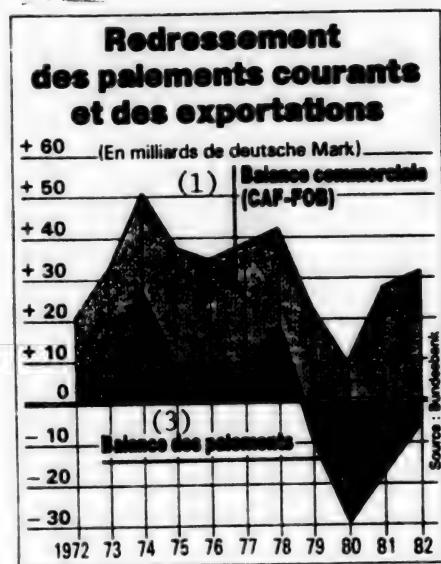
Government finance is increasingly out of balance. This calls into question the achievements of the "welfare state."

(1) Federal Government

Trade: the FRG
Buckles to Japan
(In billions of marks)



Recovery of Current
Payments and Exports
(in billions of marks)



Japanese penetration in the FRG has become threatening. But Germany is making up for it with France.

(1) Surplus with France

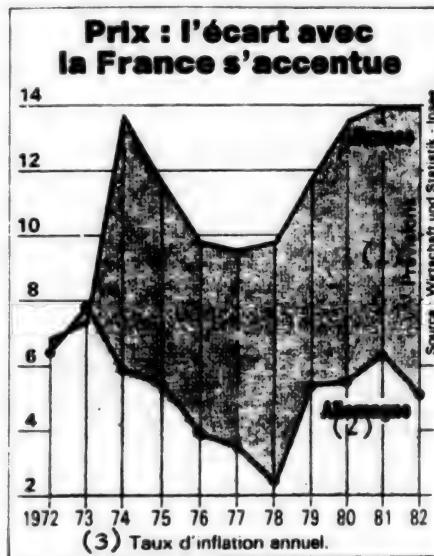
Current payments are recovering, thanks to exports, which account for 30 percent of the GNP.

(1) Trade Balance

(2) Forecasts

(3) Balance of Payments

Prices: the Gap with
France Widens



(1) Forecasts
(2) Germany
(3) Annual Rate of Inflation

AGRICULTURE, TELECOMMUNICATIONS DRAW INVESTORS TO MALAYSIA

Paris L'USINE NOUVELLE in French 1 Apr 82 pp 97-99

[Article by Georges Bornes: "Malaysia Seeks 'Turnkey' Projects"]

[Text] "We see a lot of Frenchmen come through here, but very few of them stay." This somewhat disenchanted comment by Jean Toebat, the general manager of Kupah Behad, a joint venture of SODISHUIL [Palm Oil Distributing Company] in Malaysia, was echoed by Eric d'Aboville, the BNP [National Bank of Paris] manager in Kuala Lumpur: "More often than not, French firms interested in the Malaysian market fail to comply with this country's peculiar specifications. And when they have reached the prequalification stage, they no longer follow up, or then do not want to make any effort with respect to prices."

Does this mean that French firms have to date shown but very limited interest in the Malaysian market? Let's not exaggerate. After all, Airbus Industrie has sold four Airbus transports to the national airline, Malaysia Airline System, and in March and September 1981, the Mediterranean Marine and Industrial Engineering Company sold two 280-meter twin natural gas tankers to the Malaysian International Shipping Corporation.

Eric d'Aboville pointed out that these "two contracts alone almost eliminated our chronic trade deficit with Malaysia." They also prove that there are, nevertheless, some French firms capable of asserting themselves in this market. It is significant, however, that these two successes were scored in the "transport and industrial equipment" sector. At the Ministry of Trade and Industry we were told that "this import category accounts for 35 percent of Malaysia's imports. It is by far the largest import category."

For example, in the first 10 months of 1981, this category was valued at more than 7 billion ringgits (18.25 billion francs). In contrast, the agricultural and food products category accounted for only 9.5 percent of all imports: 1.8 billion ringgits (4.73 billion francs).

In other words, exporters must know how to choose the right import sectors, or invest locally: in the agricultural and food products sector, for example, even though--or precisely because--it is the least developed of the Malaysian import categories. Eric d'Aboville told us: "I believe there is still much to be done in this field. We need to offer turnkey facilities such as

commercial poultry farms or commercial fruit-growing operations. Denis Freres, who chose the agricultural and food products sector, now controls 30 percent of the canned-fish industry. It even produces canned curries that are exported to Persian Gulf countries for consumption by immigrant Pakistani workers. There are many other promising sectors: anything connected with the oil and natural gas industry, for example."

ETPM [Maritime and Petroleum Construction Company] is a case in point. This French firm is currently fulfilling an \$80 million turnkey contract for Shell Oil in the state of Sarawak. ETPM prevailed over its competitors because of its excellent reputation for offshore work and the responsible manner in which it conducted its negotiations.

At present, ETPM is supervising the final phase of construction of drilling platforms in South Korea and Japan. These platforms are scheduled for delivery in August and will then be towed to drilling sites off the coast of Sarawak. The initial offshore drilling operations are expected to begin before December. Steve Johnson, ETPM's Far East manager, said: "I have a great deal of faith in Malaysia." He has excellent reasons for such confidence. His company's other projects include drilling for natural gas in Peninsular Malaysia for PETRONAS, the national oil company, and in the Sabah region, this time for the local government.

In an altogether different field, Hutchinson Mapa has sought to capitalize on Malaysia's position as the world's leading producer of latex. At Ipoh in the state of Perak (northwestern part of Peninsular Malaysia), this firm is building a plant that next year will produce 25 million pair of rubber gloves for household and semi-industrial use. This output is for export primarily to Japan, Taiwan, and the United States. This project's estimated cost is 35 million francs. Project manager Patrick Houdin explained that "it was essential to get nearer to the sites of natural latex production. This is a necessity when dealing with a raw material containing 40 percent water."

For this operation, Hutchinson Mapa followed the golden rule of associating itself with a "bumiputera" (Malay) partner. In this specific case, the local partner is a sleeping partner who owns a 15 percent interest with option to purchase an additional 15 percent. As Eric d'Aboville noted: "Hutchinson has learned a great deal here, like all French firms that have had a similar experience. The very first important thing is to know enough to avoid any formalism in contracts, not become obsessed with the bumiputera percentage, and not ignore the fact that Malaysia is currently seeking trading channels, into Africa for example. If a firm can offer it such channels and connections, this is an additional asset."

Such is the case with SODISHUIL (of the Prouvost industrial group) which obtained two Indian partners and one local partner for construction of a palm oil processing plant in Gebeng on the eastern coast of Peninsular Malaysia. Malaysia has the raw materials--it is also the world's leading producer of palm oil--and SODISHUIL has the know-how and the trading channels. Part of the Gebeng plant's daily output of 300 tons, by this summer, will be exported to Africa, a continent with which SODISHUIL is very familiar inasmuch as it

has a peanut oil plant in Senegal. The rest of the Gebeng plant's output will go to the Middle East.

As for stearin, the heavy ingredient of palm oil, it will be used in making margarine in India where animal fats are proscribed. "We choose the east coast," explained Jean Toebat, "first of all because of its proximity to the plantations, then because of the tax advantages granted firms in that region, and lastly because of the port facilities."

The east coast also has special climatic conditions. While these probably did not influence SODISHUIL's decision, on the other hand they did play an important part in the choice made by Club Mediterranee.

The Club's first "village" in the Far East occupies a 70-hectare site at Cherating. It can accomodate 600 guests and its clientele consists primarily of Australians, New Zealanders, and Japanese.

According to Richard Segalowitch, Club Mediterranee's manager in Kuala Lampur, the Cherating resort's first year of operation was rather satisfactory. "We operated at 45 percent capacity, which means a daily average of 260 persons. Our clientele is mainly Asiatic and Australian. Europeans account for only 7.5 percent of our guests, but this is understandable, given the distance involved."

Club Mediterranee's presence is additional proof of the interest Malaysians have in French know-how. And this is true in most fields of activity, providing we are able to show a minimum of constancy.

Export or Invest

Malaysia offers a certain number of advantages to exporters: liberal import regulations, a competent administration, a highly favorable geographical situation, and good support facilities. Though its domestic market is relatively restricted--its population is less than that of neighboring countries--it does, nevertheless, offer attractive possibilities because of its sharply higher per capita income.

If we examine the Fourth [5-year] Plan's objectives, we note that demand will be particularly strong in the following sectors until 1985: civil engineering, communications, and everything relating to agriculture, forest products, petrochemicals, electronics, and heavy industry. Not to mention, of course, food products.

Another conceivable approach for a French firm is local investment. Such investment is viewed very favorably by the Malaysian government as a contribution to the country's economic development. If a foreign investor plans to establish a company exporting 100 percent of its production, he can own all interest in the company. If, however, the company uses local raw materials, it must operate as a joint venture with compulsory Malaysian participation which may vary from a 40 to 70 percent interest in the company. If the local raw materials used are nonrenewable, then foreign participation

may not exceed 30 percent. Lastly, if the company is oriented mainly toward the domestic market, its controlling interest (minimum of 51 percent) must be held locally. These regulations are enforced, however, with relative flexibility, provided, for example, there is a contribution to territorial development.

The sectors offering the greatest possibilities are the food industry plus the growing or processing of a certain number of farm products. The following are also attractive: aquaculture, raising and slaughtering of livestock, production of milk and dairy products, processing of hides and skins, and the processing of agricultural waste products. We may also add the following industries: forest products, rubber, chemical, hand tool, machine, iron and steel, clock and watch, toy, and shoe.

8041
CSO: 3100/554

FARM ECONOMY UNDERGOING CRISIS OF SURPLUS CROPS, SALES DROP

Government Lacks Farm Policy

Stockholm SVENSKA DAGBLADET in Swedish 30 Mar 82 p 20

[Article by Weje Sanden: "Prices, Subsidies the Tools of Society. The Needs of Agriculture Guiding"]

[Text] Sweden today lacks an overlapping food policy. Instead it is the farm policy which has laid out the industry's room for action.

The result has been that the food industry has been divided into two groups. One group is the competition-protected industry, which today is biggest and whose existence is dependent upon the farm policy. It includes the slaughter, delicatessen, dairy, bakery, milling and sugar industry.

The other is the competition-exposed industry, which largely must fight on the conditions of the market economy. It includes the fruit and vegetable preservation industry, chocolate and confectionary industry, the fish, oil and fats industry and other food industry.

Three Main Objectives

The farm policy has three main objectives.

The farmers must have the same income development as other comparable groups in society.

Sweden must for preparedness reasons have a high national production of food.

Consideration must be given to the consumers' demands for a varied supply of food at the lowest possible prices.

The Policy

The politicians' main means of control is price regulations, such as border protection, storage and export of surplus as well as food subsidies.

The border protection consists of import duties and import quotas. The purpose is to reduce or prevent import competition. The reason for this is that unconditional import would knock out large parts of agriculture and the food industry.

But when there is surplus production inside the country, border protection is not sufficient in order to prevent price drops. And stable prices are necessary in order to satisfy objective 1. The government therefore guarantees sale of the surplus. This is done through heavily subsidized export.

The problem is that the objective of the farm policy does not steer in the same direction. In order to guarantee income for the farmers, the prices must be increased steadily. And that collides with the consumers' demands for low food prices.

Subsidies Decrease

During the 1960's the development was calm. But the start of the 1970's involved strong price increases, and after, for one thing, the action of the Skarholm wives in 1972 the government decided to introduce subsidies and price stops on certain basic foods (milk, cheese, beef, pork, broilers, bread and flour).

The subsidies have later on been increased during the entire 1970's to reach more than 4 billion kronor. The consequence has been that the competition in the food industry has been disturbed.

But during the last 2 years the government has started to reduce the subsidies. More than 1 billion kronor has been removed, and a good 3 billion kronor now remains. The milk has been affected the least. A liter of milk, which today costs 3.25 kronor, would cost 4.99 kronor without subsidies.

Cheese Is Eliminated

The fervor to save has caused the prices on basic foods to increase by more than 34 percent in 2 years. In their track have followed buying resistance and surplus of many goods.

The import duties, which all the time are being increased in step with the national price increase, has therefore been affected again by strong adjustments upwards. One example is the duties on imported cheese. They have been increased by a factor of four in less than 10 years. The latest increase came at the turn of the year, and several people now believe that imported cheese may be eliminated from the Swedish market.

The consumers possibilities for choice would thereby also be reduced further.

Expensive to Get Rid of the Surplus, The Cost to the Government 1.3 Billion

Seven billion kronor in deficit. This was the result of Sweden's food trade with other countries in 1981. The politicians and the industry agree that the export must be increased. But the opinions are divided on how it should be done.

No other Swedish industry has such a low export share as the food industry--9 percent. Among the various branches the chocolate and confectionery industry has succeeded best with a fraction of 28 percent. The meat industry had the bottom listing--0.3 percent.

The exports have indeed tripled at current prices in the last 10 years. And last year they passed 3 billion kronor, but imports have increased too, from approximately 4 billion to closer to 10 billion kronor.

Most of the export also consists of unprocessed products or products with very little processing, such as grain, flour, whole and sectioned animal carcasses. Only 25 percent is highly processed products, such as chocolate, canned and deep frozen fish.

In Finland, which is the most closely comparable with Sweden, the conditions are opposite. There highly processed products correspond to 75 percent of the export.

Billion-Kronor Subsidies

The fact that unprocessed food dominates Swedish exports is a direct result of the farm policy. According to this policy, Sweden must primarily try to get a surplus in grains. For other products the objective is a balance. And a possible surplus must be exported at the lowest possible cost.

Since the prices on the world market are lower than the Swedish production costs for unprocessed foods, the government must pay the difference. In the middle of the 1970's, when we only had surpluses in grains, the export subsidies amounted to a bare 400 million kronor. But now, when we are also hit by a meat surplus, the expenses have increased sharply. Last year the government had to pay close to 1.3 billion kronor, and in 1985 the expenses are estimated at 2 billion kronor.

This is one of the reasons why reductions in the farm production and contributions to empty pig locations have been proposed. Demands have also been raised for a new farm report.

Process at Home

One of the sharpest critics of the present policy is Beijerinvest, which is now part of the Volvo company. The company believes the policy is based on the wrong assumptions.

Exports

"For us businessmen it is obvious that the policy must be to sell for the highest possible profit," says Jan Sparr, chief of Volvo-Beijers food company. "And then it must be more sensible to stuff the grain surplus into Swedish pigs, slaughter them here and process the products. This should create both employment and produce more money. We also know that there is a market for this, since we ourselves work abroad."

Investing in Exports

However, the government has invested 8 billion kronor this year in trying to raise the export of highly-processed food. A special department, Swedish Food Promotion, has been created within Sweden's Export Council. It should help the food companies in finding markets for its products abroad. The experiment will go on for 5 years.

But there are many obstacles. In addition to customs tariffs and other fees, each land is generally trying to protect its agriculture and its food industry with various border protections and regulations. In order to export meat goods to West Germany, Swedish packing houses must be inspected by German veterinarians. And no Swedish packing plant has yet been approved.

In addition comes increased competition on the international food market.

It is not just Sweden which sits with a surplus. It is therefore many who now see the rescue in increased exports.

Surplus Food Production Increases

Stockholm SVENSKA DAGBLADET in Swedish 30 Mar 82 p 21

[Article by Ewa Hedlund and Weje Sanden: "Stagnating Market, Overproduction. The Redistribution War is All That Is Left"]

[Text] Now the tightening up has also reached man's most basic needs-- food. The consumption has dropped for 2 years in sequence. Last year it dropped by a record 2--3 percent. For the food industry it means that the 1980's will be the adjustment decade.

After decades of increasing consumption the industry now gets to see the market stagnate and in certain areas shrink. The consequence becomes more shutdowns, specialization and continued concentration.

The problems which the food industry have are the same problems which the Swedish people have. Expensive food, reduced real wages and reduced population growth have so far made the 1980's a disappointment.

The predictions do talk about growth for industry for the rest of the decade, but it will be considerably more moderate than during the expansive 1960's and 1970's.

Soon at Maximum

Today few people also believe that a continued increased standard of living should result in increased consumption. Possibly in other and more expensive food habits. The industry has therefore soon reached its maximum. Already today the overcapacity is large--in certain fields more than 50 percent. Now only the redistribution war between the ten subsections remains.

And it has already started. The problems are not uniform. The austere economy and political interference have given certain industries acute problems, while other industries are strengthened in their belief in the future.

The slaughter and packing industry is one of the industries most severely affected. The reduced food subsidies have resulted in a sharply reduced consumption. Last year the slide was 4-6 percent, and it has continued today.

At the same time the mountain of meat grows, and the overproduction approaches 20 percent. Mergers and layoffs are coming.

But not everybody is complaining about this. Those branches which have not received subsidies now see their chance. Their competitive ability improves, and a certain optimism is sprouting in the fish and deep-freeze industry.

Affects One-Half Million

The food industry today employs a good 70,000 people in some 1,000 companies. This corresponds to approximately 8 percent of all industrial employment. Including farmers and those employed in trade it is estimated that closer to one-half million Swedes depend directly upon the industry. The food industry is also responsible for closer to 12 percent of the total sales value of the industry.

But the environment and the conditions of the food companies also differ markedly from most other branches:

No other industry feeds so many people. All of us must have food. And last year the Swedes bought food for 65 billion kronor. This is an average of 8,000 kronor per person.

The food industry is a pronounced home market industry. The export is modest, and the import protection is regulated severely. Closer to 70 percent of the employed also work in the competition-protected part of the industry, where customs and other regulations make imports completely impossible or limit them. This sector is also responsible for 65 percent of the total sales value of the food industry.

The food industry is not as sensitive to business trends either. While others have wild ups and downs with business fluctuations, the food industry exhibits a calm and stable profitability. It has even lain above the industry average during the 1970's.

Few industries are so controlled by politicians and authorities. There are many collisions between the interests: The farmers' demands for income, the consumers' demands for low food prices, and the purely medical demands.

Heavy Rationalization

The special features of the food industry may also have a restraining effect on the continued development.

During the 1960's and the 1970's the industry worked hard on rationalizing. The number of employees was reduced, the jobs became fewer and bigger. New modern factories were built in order to be able to meet the demands. And the big groups of owners reinforced their position further.

But now the consumption is dropping. The expansion possibilities are few. Export is one alternative, and investments are being made. But nobody dares to count on quick progress.

Or as a top man in the field summarizes today's position:

"Now we are trapped. Many cannot rationalize any more at the same time as the costs increase and the growth in volume is missing. The results can only be decreasing profitability and that more companies are knocked out."

There is also general agreement in the field that the overcapacity must be reduced--whether it should be done by changing products, mergers, or shutdowns.

Advantage for the Big Companies

The big companies have the best starting position. With long production series they can sell at bargain prices, which the trade requires to recover lost volume.

When the market is applying pressure, the requirement for developing new market products also increases. There too the big companies have the advantage. They have the resources for research and product development.

But the room for researchers is limited, and the food traditions are strong. The development therefore consists of adapting already existing products to new trends and influences. Improving the keeping qualities is also a profitability interest for the industry.

Speciality companies, which emphasize luxury and exclusivity and which in spite of high prices make progress among well-to-do consumers are in a special position.

8958
CSO: 3109/140

INDUSTRIAL EXPORTS REPORTEDLY RISE BY 105 PERCENT IN 1981

Istanbul MILLIYET in Turkish 30 Mar 82 p 4

[Text] Economic Service--In 1981, the necessity of keeping the financing burden to a minimum and the tendency to draw down stocks in the fact of import facilities have slowed the rise in industrial sector imports. Thus, while industrial product exports rose by 105 percent, imports rose by 27 percent.

In the textiles sector, while exports rose by 89 percent by comparison with 1980, reaching \$803 million, imports declined by approximately 2 percent. In the metalworking industry, exports rose by 150 percent in 1980, reaching \$20 million. Growth in this sector's imports amounted to 0.1 percent, with imports of \$23 million.

In 1981, the branches of industry with the highest rates of increase for imports were the "nonferrous metals industry" with 62 percent and the "transport vehicles industry" with 60 percent. In 1981, imports by the nonferrous metals industry amounted to \$141 million. Imports in the transport vehicles industry were \$356 million.

Rates of Increase for Industrial Sector Imports and Exports

	Imports		Exports	
	Million \$	Increase (%)	Million \$	Increase (%)
Chemical Industry	1,199	7	94	23
Rubber, Plastic Industry	240	32	72	352
Textiles Industry	78	- 1.8	803	89
Glass, Ceramics Industry	40	14	102	184
Iron and Steel Industry	605	31	100	195
Nonferrous Metals Industry	141	62	30	63
Metal Products Industry	23	0.1	20	150
Machinery Industry	1,223	45	65	199
Electrical Appliancee Industry	336	24	26	128
Transport Vehicles Industry	356	60	117.5	134

CSO: 4654/245

SCHMIDT GIVES OVERVIEW OF GOVERNMENT, PARTY SITUATION

Bonn VORWAERTS in German 15 Apr 82 Supplement pp I-XII

[Article by Helmut Schmidt: "An Interim Balance Sheet for...1982." Slantlines denote italics as published.]

Text Prefatory Remarks

1. In almost all democratic nations, the structural crisis of the world economy has led to governments being voted out of office since the end of 1973. This has happened twice in the United States, in Canada, England and France and even more often in other Western countries. In all cases, domestic political controversies were a factor. The first world economic crisis during the Weimar days led to even more frequent changes of government in the then German Reich although the German governments of the time bore only a minimal responsibility for the world economic crisis and its catastrophic consequences.

/But the fact that this did not happen in Germany in 1976 and 1980 gives me the self-confidence and the courage I need to exercise leadership./

2. I simply cannot see another coalition in Bonn offering our country anything better. Furthermore, I do not believe that Franz Josef Strauss or Helmut Kohl are the kind of leaders that could safely steer our people through the world economic crisis and the East-West crisis of armaments and confrontations. But as for ourselves, I do see the need for taking stock, for renewing our goals, for reviewing possibilities and methods—including those that could lead to renewing the consensus between the two coalition partners and the consensus within each of the two parties.

3. This does not mean that I would want to go public with any advice for the FDP. I would merely want to do my bit to promote consensus within my own party—which is the party of Willy Brandt, of Herbert Wehner, Herbert Weichmann, Kurt Schumacher, Wilhelm Kaisen, Wilhelm Hoegner, Waldemar von Knoeringen, Ernst Reuter, Carlo Schmid, Fritz Erler, Adolf Arndt, Hans Boeckler, Otto Brenner, Julius Leber, Carl Legien, Hermann Mueller-Franken and Otto Braun and that will always continue to be the party as well of Lassalle and Bebel however much times, political situations and "production conditions" may change.

4. Constancy of moral values and continuity of political principles run the risk of being clouded and getting lost when indecision is trumpeted out into the world, when there is a surfeit of mutually exclusive proposals being made and when what is possible is eclipsed by the desire for wish fulfillment. In the same way, doomsday anxieties may lead one astray when self-discipline is eroded by opportunism instead of leading to sober analysis. /Our own policies must be guided not by what is "negotiable" among our own groupings but by what must be done in order to make possible what is necessary./ It is not a question of what "is in" in one's own circles but of maintaining a /constant public posture of one's own political goals. Public credibility by those responsible will decide whether the voters accept or reject our policies./

5. During my entire political life, I have taken part in political discussion and debate within my party to which I have belonged for 36 years now. In many instances, this has helped me add to what I knew or to change my mind. On very rare occasions did I publicly criticize decisions taken at national party congresses, nor did I disparage them. In all, I think I have a right to say that in these three dozen years of active political life I have exercised great discipline politically vis-a-vis my social democratic party and its members. I will continue to do so—and this applies to the present text as well. Nonetheless, I have always agreed with Willy Brandt's repeated statement to the effect that his responsibility as chancellor—as laid down in the constitution—could dictate to him in specific instances to adopt a course different from the one the party expected of him.

6. I am taking up my pen here and letting my insights guide me in making some contributions to the debate social democracy must face and which indeed has begun within our own party. I am not doing so as a government official. This, then, is not a statement of government policy; nor can I really lay claim to completeness. But I wish to put forward a number of points to include in an interim balance sheet which is long overdue. They are the result of my experiences during the past two decades 16 years of which were spent as a member of socialist-liberal coalitions—as senator in Hamburg, as head of a government ministry and as chancellor in Bonn.

These points are quite sketchy. I have written them down at odd times over the past few Sundays. /This, then, is a sketch which must be filled out in discussions. It does not really deal with history or future goals but—in accepting both as givens—represents a rather a spare attempt to draw up an interim balance sheet at halftime of the 1980-1984 legislative session./

I. Concerning Intra-Party Relations

7. Let me lay stress on repeating what many have said in the recent past. All of us have a every reason to work for better relations among ourselves than have obtained since the October 1980 Bundestag election. There are not a few who should feel they are being spoken to and I will not exclude myself from their number.

The truth is that the SPD is running into more difficulties with itself than it used to. Many voters can no longer discern just what the political outlines of our party are. The varied nature of intra-party debate and in particular the sharpness and the publicity-addicted urge toward public recognition which characterizes quite a few of our controversies often puts our unity of purpose into question.

There are some in our party who seem to think they can become better known and foster their political career by elbowing their way into the media, if they as much as present a view contrary to positions the party has worked out and decided upon. In some instances, this includes calculated provocations directed against leading members of the government and the party. In the long run, this is hardly acceptable politically, since it impairs the SPD's ability to govern and puts at risk its overall capacity to act. Any-one who loses a communal or Land election can, under such circumstances, not blame the "big picture in Bonn" for it, particularly if he himself has contributed to the confusing plethora of viewpoints, which is to say to the uncertainty of the voters.

I do not wish to be misunderstood. I am not, by any stretch of the imagination, talking about turning the SPD into a one-note choral society—that would never work anyway. Our basic values committee put it this way: "In the long run, only open parties can fulfill their function in an open society. These are parties which—based on their principles—do not view critical and controversial discussion among their membership as a hindrance but as a possibility of correcting and further developing its basic concepts."

This statement is correct. And yet, controversial debate by itself does not make for a progressive party, nor at any rate for a party that has the capacity to act. Debates must lead to decisions and these decisions must be the basis for action by all. Let me quote the basic values committee again which came to the conclusion that there is a need "to adopt an attitude of solidarity with party principles. /And this includes loyalty toward decisions taken against one's own preferences in order that a minimally recognizable political unity of the party can be preserved in the public eye."/

Throughout its history, our party has never simply been an election association, a club of dignitaries or a herd of sheep. Debate has given us the chance to analyze problems and to point to solutions. Solidarity and a sense of common purpose have given us the strength for common action.

It is my impression today that we are lacking in common purpose in different places. I know that it was more self-evident and simpler, too, in days gone-by to live our solidarity and to render it—in our struggle against a hostile state, in times of persecution and also while we were in the opposition after 1949.

During periods of high growth rates, it was easier to arrive at intra-party compromises on social and economic issues than at times of a world economic crisis. It was the same in 1930, the only difference being that the world economic crisis then was much more serious than the present one. Even in 1929, there was a higher rate of unemployment in the German Reich than there is today. And most of the unemployed were barely at the subsistence level. Today's unemployed, on the other hand, enjoy a higher standard of living than all members of the active work force during the first two-thirds of the 20th century.

Just the same, unemployment and economic stagnation have made political life more difficult in 1982. That is why we are in need of solidarity more than ever in order to retain our capacity to act. Government officials, for example, are dependent on the loyal support both of the fraction and the party. The expectations of many party members—particularly those of the younger generation—and the actual possibilities open to the state and the government are further apart than they were at end of the seventies. Unfortunately, there are some who view this as a lack of solidarity of social democratic members of government vis-a-vis their party—although they are merely encountering the limitations to what in fact is possible.

When these views are aired with great fanfare—as they frequently are—the damaging impression is created of a wide gap between the party and the government. Anyone who pulls the government and the party apart promotes the impression that there is more of a difference of opinion inside the party than exists between the social democrats generally and their adversaries. /A party that appears to be divided loses a great deal of its attraction./ And it is the height of folly when our debate with our political opponents is relegated to an inferior position in the media vis-a-vis the debates within our own party.

8. Solidarity on the inside as well as toward the less fortunate and the weak in our society has ever been one of the strongest binding elements in the history of the workers movement and social democracy. I ask myself today whether the idea of solidarity to some is just a relic that old comrades still like to talk about and whether the moral-political call for solidarity is merely viewed by some as a means to discipline those who think differently from the rest. Has solidarity become useless through emancipation and because we are governing the country and because those who govern must not only be controlled suspiciously but must be fought in view of the fact that they are unable to satisfy the illusory expectations that have been placed in them ?

These are proper questions, I would think. The '85 Planning Paper says that solidarity is a reflection of the experience and the insight that as free and equal men and women we can only live together in a human way, if we feel we have a responsibility toward one another and help each other. The meaning of solidarity is a general, human one.

The word "solidarity" is based on the same root as the word "solid." Wherever solidarity exists, one can be sure, despite all differences of opinion, that one's fellow man is committed to the principles of the community and seeks to live up to them in his actions. He who exercises solidarity can count on confidence in his own group and creates a solid image toward the outside. Without solidarity, the SPD goes off course.

9. /Self-discipline is a requirement of solidarity; others are persona and political credibility./

Self-discipline forbids us to engage in self-serving activities at the expense of others. Credibility forbids us from permitting our own demands and our own actions to diverge. This is one of the most important reasons for the loss of confidence in all political parties. That is why solidarity must also include reliability.

10. /The measure of unity, self-discipline, solidarity and of credibility in its actions displayed by the SPD will more than anything else determine in the long run whether we can convince the population and can retain the responsibility for governing the country./

For this, we will need self-confidence! Where in the West is there as much social security; where in the world do the free workers' organizations play as large a role and where in East and West has anyone coped more effectively with the world economic crisis? The successful conclusion last winter of the 1982 budget debate; the joint initiative for work, growth and stability, and our specific German contributions to safeguarding peace in the Afghanistan and Poland issue have shown: we social democrats have every reason for self-confidence and optimism. No one should take that away from us—least of all we ourselves!

II. Focus on the Work Force

11. Policies on behalf of working people, progressive policies, reform policies can only be put into practice if the majority of the voters is for them and if sufficient funds can be made available.

Conversely, it will be difficult to effect long-term changes in the name of justice and social equality in opposition to the hard realities of the economic situation or to the basic attitudes or insights of those directly affected.

Value systems and opinions on issues of our time do not descend upon us from heaven. They are the result of a public opinion process operating within the population, between the citizenry and the media, between the citizenry and the politicians and in the long term between the innovators and opinion leaders of various kinds and society as a whole.

12. From a public opinion point of view, the 1981/82 situation of the SPD as well as the federal government must be termed /grave/ as compared to prior changes in the political climate. A great many individual findings all point in the same direction. The downturn which began around the turn of 1980/81 is still with us; that is particularly disquieting.

There is less satisfaction on the part of SPD and FDP voters with their parties. This is accompanied by /a distinctly low SPD rating and a low rating for the coalition we never had before./ As opposed to this, there is a correspondingly high CDU/CSU rating and sizable ratings for the Greens and/or Alternatives. The SPD sustained above-average losses among the working population, among the younger voters and those who have a particular interest in politics. This is of strategic significance because these are segments of the basic electorate, of the younger generation and of the multipliers who are turning their back on the SPD. The picture is completed by the SPD's poor showing in the 1981 elections and the first elections which took place this year.

13. Another striking thing is the decided pessimism concerning the present, the future and the general economic situation. A majority, however, views its own economic situation as relatively favorable. From a national policy point of view, the most depressing result is that hopes in the future are generally lower and "satisfaction with the system" has declined markedly.

The process leading to this opinion profile has been running against us over the past 15 months. There were a number of pundits from the conservative camps that spoke up early on. They could see that if a social system that was making progress on behalf of the working population was to be stopped, slowed down or perhaps even reversed, then the opinion process would have to be influenced; one would have to address the attitudes of the working population in particular.

14. Our hope that we might be able to repel this assault against our policies has not been fulfilled so far. I will list two of several reasons for this:

/First,/ in major political areas, we have surrendered conceptual territory to the conservatives. For example, we have not offered enough resistance against their turning the concept of "social justice" into "the new social issue" and turning the "social welfare state" into the "debt state." Thus far, the conservatives have not succeeded in their attempt to turn "detente" into "detente euphoria" or "daydreaming." We must be on our guard against this.

/Second,/ many of the people on whose behalf we introduced our reform policies have since advanced socially and have adjusted their political views to those of the bourgeois-conservative sections of society. These days, social democrats and trade unionists find that the political views of their own supporters too are substantially formed by the mass-circulation newspapers and the conservative television broadcasts.

15. The result is /egotistical attitudes have gained ground and solidarity among the various groups has gone down./

One example of the change is the attitude of the working population vis-a-vis the foreign workers. Since 1978, the number of those who would best like to send the guest workers home has been on the rise. Election gains such as the one attained by a group hostile to foreigners in the communal elections in Schleswig-Holstein are an alarming consequence of this trend. The actual situation itself has of course also had a bearing on this change in attitude. There is a lack of jobs; there is a concentration of guest workers in certain areas and the influx of persons wrongfully seeking asylum—all this has contributed to the image of the guest workers, albeit unjustly in many instances.

All told, we have probably underestimated the impact of constant indoctrination at the expense of the interests of the working population and the reformation of society. We did not present enough counterarguments as the underlying conservative mood was being created. Incidents such as those involving "Neue Heimat" pointed in this undesirable direction.

If we want to be more successful in the long run, then we must try to turn this trend around. In the long run, policies on behalf of the working population will be easier, if we succeed in getting the political coordinates of the electorate back to the left of center where they belong. In other words: /we must tie voters of the center to us instead of letting them drift off to the right./

Everyone must do his share—in the factories, among his friends, in the party leadership, in the party—on all levels.

III. Current Tasks of the SPD

16. During the coming 9 months, we must do everything in our power to overcome this low. In my view, this will involve the following:

/First, fighting unemployment/ is the top priority goal for us social democrats. It calls for sacrifices. We social democrats must do our duty. In our view, unemployment is a violation of human dignity. To take unemployment lying down, would run counter to the basic tenets of the Godesberg program. On the other hand, unemployment is a worldwide phenomenon; it is a problem that can only be solved on the world economic level. But there are national means that must be employed resolutely and intelligently.

/Second,/ the social democrats will gain confidence only if they can credibly tell the voters that in governing the nation, /they are in a position to do justice to the classic functions of statecraft but that they are also willing and able to carry out the necessary reforms and improvements./

/Third,/ the SPD should not put into question our own contribution to the /disarmament negotiations/ which have started up again. It would be counter-productive to raise the old question of saying yes or no to the double-track resolution at the party congress in Munich once again. It is much more a question of strengthening our hand vis-a-vis those engaged in the negotiations rather than to weaken it by refusing.

/Fourth,/ The SPD's attraction will increase and its chances will improve, if it succeeds in presenting to the voter /sensible and politically committed policies with regard to both the economy and the protection of the environment./ I see no point in putting up a false front. Our task as social democrats is to mediate—not in theory but in each concrete, individual instance, we must find a common denominator for the differing interests and the managerial, economic and ecological aspects of the situation.

/Fifth,/ the SPD must try with all its might to recapture /the leadership in influencing opinion on urgent problems of the future./ In addition to preserving peace and preserving jobs, let me cite just a few examples for what I mean: the development of North-South relations; youth protest; the integration of foreign workers; the drug problem.

/Sixth, the importance of communal politics must be reaffirmed./ Rural and city party organizations at the local, Kreis and regional level must be able to tell the voters that they can solve community questions better than others. /Efficient and successful mayors and city councillors who are able to inspire and retain confidence are of greater value than theoretical treatises! They are the most important pillars of social democracy!/
17.

It often happens that young people in the cities find people to talk to among the Alternatives, the apartment communes and the churches whenever they feel a need to discuss issues that seriously concern them. No doubt those who speak to them have an easier time of addressing the needs of the young people because they are not duty bound to convert these views into political reality. And of course young people more than others make the mistake of thinking that anyone who identifies a problem will also be able to solve it. But we, too, who are engaged in day-to-day political life are not really innocent with regard to these things happening. Often enough, our reaction to such questions and critical comments is ill-humored.

18. /In this central issue of our appeal to the voters, we must not rend ourselves asunder, nor must we permit others to play us off one against the other.

Its voter core makes the SPD the party of the working population, of the trade union members and the factory councils./ It must consciously remain so and want to remain so! By the same token, there have always been academics and intellectuals working with us; that did not start in 1969. Marx and Lassalle were both intellectuals and not working men. Engels was an entrepreneur and August Bebel was a craftsman who later started a small business. All of them played an important role in the intellectual develop-

ment of social democracy. /A broad alliance of different levels of the population has existed in the SPD for a long time! /

But it is true to say that the workers—since 1945, the working population as a whole—used to leave a much stronger imprint on the representative bodies of our party on all local and regional levels and at the German Reich level as well than this has been the case in the political life of the FRG since the sixties. /The fact that many young academics in the party feel that they are part of the work force and that they speak for the working population as such is no real substitute for this./

19. In the 1972 Bundestag election, the erstwhile workers party, SPD, became capable of attaining a majority because it opened up toward young people and the middle class. Among 18-24 year-olds, the SPD got 54.6 percent of the vote. Among skilled workers, it got 60 percent and among unskilled and semi-skilled workers, 58 percent.

20. It is only natural to take the structural changes of our society into account. /The classical type of skilled worker, which is decreasing, is now joined by a growing number white-collar and blue-collar workers in the private and public service sector./ To some extent, these groups have a different orientation. This is evident above all among young people. We are witnessing the birth of an alternative culture which has an entirely different performance concept and different aims in life.

That is why social democracy must be mindful of the fact that it never looked upon "workers" and the "working population" solely in terms of statistical data and can no more do so now but that these designations stood for comparable social situations, similar educational backgrounds, similar risks in life and the interests that arose from these. This was and must continue to be the basis of positive programs aimed at achieving social change.

In evaluating it, one can certainly accentuate different aspects. It is obvious that the multifariousness of society must be reflected in our pool of voters—at any rate, if we mean to succeed!

21. Let me quote in this connection from what I said in an article entitled "Interim Balance" in 1971: "Our blue-collar and white-collar target groups must continue to have priority status. We know full well that there are blue-collar workers and blue-collar workers just as there are white-collar workers and white-collar workers. There are very different groups which find themselves in vastly different psychological situations with vastly different interests and political expectations. We must attune our policies and political arguments to these and their wives with great care." In the future, too, the SPD will provide a home for teachers, doctors, lawyers, clergymen and professionals; but if it is still to be a potent political force, then it will above all be a working class party, a party of the white-collar and the blue-collar workers! If it did not remain to be such, then it would turn into a sect rather than a people's party."

I think this still applies today. I would merely add the /independent small businessmen and farmers/ whom I left out then.

22. Though there is a need to present an unequivocal picture, one should not lose sight of the fact that a value-oriented consensus of interests can indeed be arrived at. There is a /broad consensus of interests/ on a great many important issues which links the skilled worker to the young voter and that does not separate those educated at professional schools or universities from those working in small industry. There is no other explanation /for the high degree of approval accorded to the government's peace policy among all sectors of the population/ for example.

There is also a consensus among the groups mentioned in that they come out more strongly for the fight against unemployment; for social security; for reform policies; for a liberal administration of justice. They also have a clearer sense of the danger of neo-Nazism and the dangers of environmental destruction. And finally, they are above average in their opposition to cuts in aid for underdeveloped countries.

23. We must make good use of and strengthen this consensus in order to hold on to those who voted for us before and to win new voters over. That is why the party must maintain its position to the left of center. It must also continue to be a political home for those who think of themselves as out-and-out left social democrats. /But it must not under any circumstances neglect the so-called political center./ If we want to remain true to the political goal of shaping this land and this society, we must have a wide-spectrum political alliance.

24. The different social groups are important to the SPD not only as voters. /We also need them as intellectual and political stimulators!/ They are particularly indispensable as multipliers because the SPD cannot rely on the support of the big media—and propaganda alone will not win an election.

Conversations at the workplace, in associations and youth centers, while shopping in the neighborhood are all indispensable. It is in this manner that a political climate is created which favors the success of our political ideas.

Peter Glotz was right when he said of this approach a few years ago: "Intolerant people who are always right and have access to pure dogma—and there are such both on the right and on the left wing of the SPD—must be kept at bay in an integration or people's party...A people's party must not turn into an instrument of the so-called sound popular will, nor must it become a debating society far removed from reality."

IV. Preserving Freedom and Maintaining Peace

25. The core of our foreign and security policy is our peace policy. Our individual and national survival depends on it.

Peace policy is at the center of the 12 years of socialist-liberal coalition government. The continuity of this peace policy extends unchanged from the Brandt/Scheel cabinets to the Schmidt/Genscher cabinets. Peace policy continues to be a core content of the socialist-liberal coalition. No one should have any doubts about the fact that this peace policy could not and cannot be carried out by any but the socialist-liberal coalition. Without the commitment and the efforts of the two liberal foreign ministers, it would have been unthinkable in this particular form. Whoever thinks he cannot but criticize our coalition partner—for whatever reasons—should keep this fact in mind.

To the same extent, our policy of peace would not have been possible without the commitment of the three social democratic defense ministers. /The treaty policy toward Eastern Europe was of interest to Moscow and acceptable to the West only because it was based on the undiminished credibility of the FRG's readiness to defend itself and of its socialist-liberal coalition governments./ But if this credibility were impaired, then detente could become a first step toward the imposition of a foreign will which would be tantamount to the loss of freedom. Then, it would /also/ no longer find the approval of the majority of our citizens.

26. In principle, there are just three ways of using military means to further peace policy today.

The first of these places its trust in military superiority and the security of armaments. It culminates in an arms race which may pose a danger to peace as not only the example of the European big powers prior to 1914 amply shows.

The second is characterized by a pacifist attitude and naive trust in unilateral disarmament. I have the greatest personal respect for pacifist convictions. But in this case, too, we are taught by /historical experience that one-sided defenselessness is not a means of preventing aggression by a superior force./ More than 40 years ago, Finland went through this experience as a neighbor of the Soviet Union just as many neighbors of the aggressive Hitler dictatorship did—and the memory of Afghanistan is still fresh.

The third is that of the balance of military forces, of equal security (and of equal vulnerability!) Unequal disarmament treaties are acceptable to neither side. Above all, they cannot be implemented politically. /That is why the principle of balance is a prerequisite for treaty partnership in the interests of mutual East-West security/ which we favor. Only in this manner can well-founded fears concerning peace be allayed. It is a fear which can otherwise always be abused.

27. In spite of all the intellectual problems one may have with the balance concept—military balance is and will remain to be an indispensable precondition for the maintenance of peace. It is therefore one of the major goals of our policy /to bring this balance down to the lowest possible level by conducting disarmament negotiations./

28. /Military balance in Europe is unthinkable in the absence of the Western alliance./ There is a broad consensus on this among our population. All the opinion polls turn up clear and absolute majorities on this issue. These majorities are right! The Bonn summit meeting in June will underscore this fact anew.

The alliance cannot exist without the leadership and the defense contribution of the United States. For this reason, the government continues to lay great stress on the care and maintenance of our friendly relations to the United States. This task is made easier for us—the differences of opinion on various specific issues arising in each decade to the contrary notwithstanding—by the fact that /our relations to the United States are not based on security interests alone./ By the same token, our common interest in peace, freedom and democracy /does not necessarily require us to agree with the United States on all other issues affecting foreign and domestic as well as social and economic policy./

29. /Peace is a fundamental value./ Peace makes a contribution to the realization of the other fundamental values of democratic socialism: freedom, equality and solidarity.

Our peace policy is based on the insight that it is no longer possible in this day and age to achieve long-lasting security at the expense of the security of the other side. Lasting security can only be achieved through a relationship predicated on mutuality. I have used the term "security partnership" to describe this state of affairs which must be achieved through /a treaty relationship between East and West/ between the two pact systems.

We have never left any doubt about the fact that peace cannot be maintained through military efforts alone. The fact is that security policy must be based on treaties, detente and cooperation. This includes the renunciation of force, which is to say the firm resolve to renounce force or the threat of force in the settlement of disputes. This renunciation of force is an important component of our treaties with the Eastern countries. It has freed the Poles, for example, from the fear of alleged German revanchism. It also includes a readiness to engage in dialogue, to exercise restraint in political action and political utterances as well as a will to achieve fair settlements.

30. The principle of cooperation makes it incumbent upon the partners to look for ways of discovering common interests—in spite of all their other differences. This applies first and foremost to /arms limitation and disarmament. Both must be based on treaty obligations./ Both must be based on negotiations.

Negotiations and treaties must not be limited to security policy in the strict sense. Economic and cultural relations present fields for fruitful cooperation which can make an important contribution to the preservation of peace. The more diversified and closer the cooperation is from which both sides stand to gain, the better are the maintenance of peace as well as peaceful change served. These are the principles which guide the government in its pursuit of peace policy.

Looking back on the past 2 years—particularly to my meetings with President Reagan, President Mitterand and the consultations within EEC and at the world economic summits as well as my meetings with secretary-general Brezhnev and secretary-general Honecker—I must say that these principles have stood the test.

31. In international relations, we are facing some heavy weather. Since 1978, our political freedom of decision has increasingly been endangered by the Soviet SS-20 missiles pointed at our territory. We did not provoke the Soviets into introducing these weapons.

2 years ago, the political climate between the two world powers was fundamentally affected by the Soviet invasion of Afghanistan. The Polish tragedy is an additional factor. There is the danger that East-West relations may freeze over. We think that would be very dangerous; we simply could not accept it in view of our geographic situation. I have /always believed that East-West dialogue is particularly important in times of tension. That is why we have tried to get the dialogue going again and have engaged in it ourselves./

32. In spite of many warnings, I went to Moscow in the summer of 1980. My primary concern was to lay the groundwork for negotiations between the United States and the Soviet Union—as envisaged by the NATO double track resolution of 1979—on the reduction of Soviet medium-range missiles which are a deadly threat to us.

The Soviet government at first took the propagandistic position that it would not engage in negotiations unless the NATO double-track resolution were formally rescinded. It calls for the stationing of American medium-range missiles in Europe, if the negotiations fail.

Our talks in Moscow, in which foreign minister Genscher took part, succeeded in convincing the Soviet leaders that they would most certainly be faced with the reality of American medium-range missiles on European soil by 1983, if there were no agreement./

That is why they subsequently agreed to negotiations with the Americans.

After the changing of the guard in the United States, skepticism also arose concerning America's willingness to negotiate. But the talks I held with Mr Reagan, the new American President, in May 1981 left no doubt in my mind about the American government's readiness to negotiate in principle. President Reagan, with whom I am in close touch continuously, then adopted the bilateral zero-level solution we had proposed as his goal in the negotiations. When Soviet secretary-general Brezhnev visited Bonn, I told him I was convinced of the American government's readiness to negotiate.

Since 30 November 1981, the two world powers have been negotiating on medium-range weapons in Geneva. Thus, our persistent efforts to get such negotiations going have paid off so far. I consider the start of the negotiations a victory for detente which proves the correctness of the SPD peace policy principles.

We must continue to persevere and to make our influence felt. No one should make a mistake about the following: /The chances for a disarmament agreement on medium-range weapons would quickly decrease, if the Soviet leadership no longer had to go on the firm assumption that the West would modernize its arsenal otherwise./ This was and it continues to be the joint, firm assessment of the situation on the part of Carter and Reagan, Giscard d'Estaing and Mitterand, Callaghan and Mrs Thatcher as well as the socialist-liberal West German government.

33. Since our peace policy has concentrated over the past few years on trying to reduce tensions between East and West, the public sometimes fails to see what enormous gains EEC has made in the struggle for peace. It has made warlike confrontations between the countries of Western Europe unthinkable. It has overcome so-called "hereditary feuds." Looking back on West European history over which so much blood has been spilled, it is no exaggeration to say that EEC has created a new dimension of peace. Of course, the reconciliation with France has played a decisive part in all this. /Cooperation between Bonn and Paris is of extremely great importance today as well as for the eighties! /

In view of the historic achievements, the still unsolved problems of the community would appear to weigh less heavily. But the role of EEC as a peace factor must constantly spur us on to solidify the community and to develop it further. In this endeavor, we must not let reverses discourage us.

34. Europe does not stop at the border markers dividing the two pact systems. /Our peace policy/—as reflected in the Helsinki Final Act, for example, /has always extended to all of Europe./ For this very reason, we have been so deeply affected by the events that are taking place in Poland these days. But in this instance, too, the basic tenet of peace policy—loyalty to principles combined with restraint in rhetoric and action—must prove itself once again both in our own interest and above all in the Polish people's interest.

We social democrats stand by the side of the Polish working people with all our hearts. It is an indivisible principle to come out in favor of free trade unions and of their right freely and independently to represent the interests of the working population. We look upon freedom of trade unions as the basis for social peace and, as a consequence, for peace among nations. Nonetheless, we Germans above all must exercise restraint in our actions toward the Polish people. We cannot simply brush aside guilt-laden German-Polish history.

Any German who calls the Polish internment by the Nazi word of "concentration camp" should not forget what happened at Auschwitz and Treblinka in camps that really bore that name. Mindful of our political good sense and our historic obligation, we must exercise restraint, which is also what the Vatican is doing. And we must speak up equally, if someone enjoying his life in safety and freedom calls on the Poles to risk theirs.

35. Peace policy also has a North-South dimension. The long-term maintenance of global peace calls for a lessening of tensions between the developed and the developing world. Willy Brandt has made a major contribution to worldwide recognition of this fact.

The FRG must make an economic contribution to this process and it has the national means to do it. Although our financial contribution in terms of public /development aid/ will still be below the 0.7 percent of GNP called for in the early sixties for some time to come, it is /far higher than that of a big power like the United States—to say nothing of the infinitesimal contribution being made by the Soviet Union./

For that matter, the /North-South dialogue/ has shown that money alone—important as it is—cannot bring about change. It is equally important to extend technical, administrative and educational aid. Above all, we must keep our markets open for the goods produced by the developing countries—the FRG is setting an example in this regard—and to keep their prices stable, if possible. We have made a contribution to this by the conclusion of the Lomé I and Lomé II agreements.

But the fact still remains that all the help given to counter acute famine conditions will be for naught, if there is no success in slowing down the Third World population explosion.

This can only be done on an international basis. That is why the FRG is making its influence felt in international forums—for example at the Cancun summit—in order to call attention on the international level to the fact that these problems are closely intertwined and to help promote their solution through a fair settlement of interests. In this manner, we have enhanced our international reputation and influence.

36. Social democratic views on preserving freedom and peace must also include mention of the Bundeswehr. Emotional differences between social democracy and the Bundeswehr are a thing of the past. The social democrats bear the primary responsibility for our contribution to joint Western defense which has met with wide approval among the population. Opinion polls have found that—despite the sometimes violent controversy regarding arms policy and the peace movement—the approval rating of the Bundeswehr remains high (with 70 percent for and only 23 percent against!) and so ranks in popularity immediately below the Bundestag. Anyone not taking cognizance of this fact is not acting politically.

The willingness of young people to make their contribution to preserving peace by doing military service; their motivation and the awareness that they are making a contribution to peace is even more important than all the equipment and all the weapons. /This, too, is decision based on conscience!/ It is made easier to the extent that the political leadership pursues a convincing policy of readiness for peace, of peaceful settlements and of cooperation. This is where the connection between peace policy efforts and the defense posture of the Bundeswehr shows up. /To be able to fight helps prevent having to fight./

37. Fear played an important part in this past year's discussions. There were even some people who said that those responsible for policy had no fear and were therefore guilty of promoting fear.

Fear most certainly is a basic human trait. The contention that anyone might not feel any fear at all is absurd. The members of my generation most of all have had a very immediate, very personal experience with fear during the Nazi regime, in wartime and during the postwar era. My own personal experience with fear does not end with the fifties, either.

If we are now making efforts to stabilize peace, we are doing so because we went through the horrors of the war in which the older ones among us participated. War has been and always is horrible. Justified fear of war did not come upon the world with the advent of nuclear weapons.

But the point is not to let our fears become the basis or the primary political factors of our actions but to take these fears for what they actually are: /signals that trigger actions to overcome fear./ The idea is to find ways of overcoming these fears and to make it clear at the same time that those responsible for policy must also overcome fear. To experience no fear is just as dangerous as being paralyzed by fear. It would be disastrous for an individual or an entire people to be overwhelmed by fear.

/Anyone wishing to bear responsibility on behalf of his country and his fellow citizens must act responsibly even in a state of anxiety./ If someone simply gives in to his fears, that in itself does not mean he is acting morally. If someone falls prey to his fears and, what is more, infects other people with them—even though he has a public responsibility—then he runs the risk of acting immorally!

38. The fact that many fears in the present debate are so clearly related to Western weapons that do not even exist as yet while the already existing threat of the Soviet SS-20's is considered only tangentially fearsome points to a sin of omission on our part. In the public debate, we have not made it sufficiently clear that there already is a real threat because of the weapons now in place on the Soviet side. But anyone who takes note of only half of the sources of his justified fears will only make half the effort to overcome them, if he makes any effort at all.

Thus, we must ask ourselves whether we have done everything necessary in order to make "morally conscious"—as Carlo Schmid put it in 1955—what the goals of our policies are and how we mean to attain them. And we must also ask ourselves: Do all of those who so loudly proclaim their fears today take the threat to peace so seriously that they would work with all their might for the insights into the chances, the possibilities and the ways of preserving peace?

There are many people—young people most of all—who demand or at least ask to be freed of the fears that have overtaken them. It is understandable that their deep concern makes them look for what Carlo Schmid called "equations

that come out even." To some extent, there are well-founded fears of the future that beset the young people. And since politics is supposed to work on behalf of the people, they think the politicians should be in a position to rid them of all their fears.

Siegfried Lenz wrote to me concerning this issue: "At least in political life, fear is a poor counselor. A politician who is beset by fear and shows it will soon be out of a job. Everyone has learned that fear causes one to give in, to be compliant and, in the end, even willing to be blackmailed. The world furnishes us with examples every day of how domination gets a firmer foothold by causing fear and then exploiting it."

A little further on he said: "The fact is there are not just a few hypersensitive people...who admit they are afraid—there are millions in many countries. It is a movement that may well be in a position to introduce policy from below, an incalculable policy...because there is a possibility of the irrational coming to the surface."

All social democrats—particularly those among them who have been entrusted with leadership responsibilities—must take note of the following: No politician should shy away from grappling with this dilemma. To quote Lenz once more: /"On the one hand, the politician must take note of our fears and on the other hand, he must not permit himself to become compliant as a result of them."/

39. Debate concerning the basic precepts and methods of security policy is necessary. It is desirable, if conducted with an eye to reality and reason. Above all, it does not signify anti-Americanism. At this very moment, we are once again seeing a revival of the debate on the future course of defense policy taking place in the United States as well and in the Senate. In other words, such debates cannot be construed as anti-American in principle.

/Meanwhile, the Soviet Union has attained absolute superiority in medium-range nuclear missiles as well as substantial superiority in all other medium-range nuclear weapons. Agreement on a moratorium would freeze this present superiority./ The Soviet Union would then have achieved its goal which is the non-implementation of the modernization part of the double-track resolution. Our most important goal—the establishment of a balance at the lowest possible level—would move far into the future because the incentive for the Soviet Union to negotiate expeditiously and with a view to success so that first results could be attained by the fall of 1983 would have fallen by the wayside.

The moratorium proposed by the Soviets—which is to freeze medium-range nuclear weapons systems in Europe at present levels—has been worked out in such a way that it unilaterally serves the interests of the Soviet Union even in its detailed aspects.

It should include only the nuclear weapons systems in Europe. This would provide the Soviet Union with the opportunity of stationing an unlimited number of additional medium-range nuclear weapons in the non-European part of its territory. Given the range of the present about 300 SS-20's (each equipped with three warheads) of 4,000-5,000 kilometers, these missiles could strike almost any target in Europe, even if stationed beyond the Urals.

The freeze on the number of launchers proposed by the Soviet Union in Geneva would provide the Soviet Union with the opportunity to continue its program of exchanging the obsolete SS-4's and SS-5's with up-to-date SS-20's and so to increase the number of warheads—equipping each SS-20 with three.

In the arms limitation negotiations, the Soviet Union has always cited the /principle of equality and equal security. This newest Soviet proposal for a moratorium, too, is not commensurate with these principles./

40. In fact, if not by formal agreement, a unilateral moratorium presently exists in that the stationing of the American medium-range nuclear missiles will under no circumstances take place prior to late 1983. Until 1978 at least, the Soviet Union could have made sure of working out an agreement on limiting medium-range weapons at the lowest possible level by instituting a unilateral moratorium of its own. I called on the Soviet Union more than once to do so. The reaction from Moscow was not forthcoming until now—after an arsenal of 900 warheads on 300 SS-20's was built up.

Never has the situation been more unequal than it is now! It is /a source of deep anxiety for me because this overwhelming force may be used to exert political pressure on us and others at some later date./

In sum: A negotiated, bilateral moratorium on medium-range missiles cannot be considered at the present time because it does not further our goal in the negotiations which is to scrap existing medium-range nuclear weapons but in fact puts a freeze on the very opposite. In view of the present, totally unbalanced situation the Soviet Union, in proposing the moratorium, is trying to obtain an overwhelming, unilateral advantage under the guise of equality for both sides.

41. A /nuclear weapons free zone in Europe/ is not an appropriate vehicle of peace policy at this time in view of the existing medium-range missiles and their great range. These weapons, stationed outside, can effortlessly destroy all targets inside the zone.

The political and military effectiveness of weapons is not determined by their being stationed on one side of the Urals or the other but by their target area.

In order to reduce the nuclear threat to our country and all of Europe, at least a large part of the nuclear weapons pointed at us must be destroyed.

42. Seen in this light, the idea of a nuclear weapons free zone in Europe may gain in significance in the future (cf the Godesberg Program). But that would also require that within this zone there was no unilateral superiority in conventional weapons. For this reason, too, the Vienna talks on mutually balanced reductions of conventional troops continue to be of great importance. Unfortunately, they still have not made any decided progress.

43. The medium-range weapons are of strategic importance politically and militarily for Europe, including the Soviet Union, France and England! They are Euro-strategic or continental-strategic weapons in the same sense that the ICBM's are of strategic importance for the Soviet Union and the United States.

There must be disarmament in /both/ these strategic areas. It is therefore a good thing that SALT I and II are being generally adhered to. But /we cannot renounce our call for the resumption of negotiations on limiting intercontinental weapons./

We are urging our American partners in the alliance to resume the talks. My assumption is that /this will be announced at the NATO summit in Bonn at the latest./

44. The CDU/CSU position on peace and security policy is diffuse—in part intentionally so because the citizenry is not to know what the real issues are and in part by reason of ineptitude. On the one hand, there is Minister President Spaeth putting his name to the DGB peace appeal—being one of a very few CDU members to do so—and there is Professor Biedenkopf voicing doubt about whether a consensus can be obtained in the long term on the strategy of nuclear deterrence.

On the other hand, there were statements by prominent CDU/CSU politicians—above all by Minister President Strauss—throughout the winter which indicated that the CDU/CSU thinks very little of the hard and rocky path of negotiation. For them, the priority is on more armaments and more weapons. As early as spring of 1981, Mr Woerner was already saying that our priority would have to be to implement the modernization resolution—everything else would have to wait. Mr Zimmermann has said that there is no other way for the West than to modernize its arsenal by adding up-to-date medium-range nuclear weapons. Mr Strauss has called the equal importance assigned to defense efforts and the readiness to negotiate a "birth defect of the NATO double-track resolution" which he says was based "on tactical considerations but unfortunately illogical in substance." Recently, Strauss discounted the Western goal of bilaterally reducing medium-range weapons to the zero level by calling it "stuff and nonsense." The CDU/CSU comments on the November 1981 Brezhnev visit also show how little weight they are ready to give to negotiations.

They neither wish to carry on a serious dialogue, nor serious negotiations. They are incapable of exercising restraint in crisis situations. Some of them would be willing to engage in a trade war with the Soviet Union.

/We can thank our lucky stars that Minister President Strauss has to content himself with making threatening gestures and has no opportunity to implement his political views./

Those who are in charge in the CDU/CSU are looking backward as they always have when it comes to peace policy and Ostpolitik. Though he used rather strong language, Herbert Wehner was right when he said last summer that the CDU/CSU is an "arms modernization and armaments party." To be sure, this accusation cannot be leveled at all CDU politicians; but as far as the leadership itself is concerned it does apply, unfortunately. And Mr Kohl comes up with empty words like these: "I am always being asked what the difference is between our policy—the CDU/CSU policy—and that of the chancellor. My reply is what I said in Washington again and again. It is the difference between words that lack a majority and the unity and thrust of a great political force, the CDU/CSU."

45. A typical example of the diffuseness of the CDU and the CSU was their comment on my meeting with Erich Honecker. There was praise for it by the lord mayor of Berlin and by Minister President Spaeth. But Strauss and the CSU came up with the absurd idea that I had "walked into a trap" by making the visit.

If the CDU/CSU opposition kept in touch with the citizens of the GDR and their churches more, they would know that the hopes of the people over there were raised when they saw that Germans were willing to speak to other Germans on Werbellinsee and at Guestrow! The CDU and CSU critique was quite incomprehensible to them although they were able to follow all the speeches made against us in the Bundestag over Western television.

/The Germans over there pin their hopes on detente, on evolution, on the socialist-liberal government in Bonn. And they are right! For this reason, too, this coalition must not be given up unthinkingly./

46. Public opinion polls in the FRG point to a /clear majority in favor of the peace and detente policy of the socialist-liberal coalition./ Although about 50 percent of the voters say they would vote for the CDU/CSU, a large proportion of these very voters supports the peace and detente policy of the socialist-liberal coalition at the same time. These figures did not change as a result of the Polish tragedy; the fact is, they were reinforced. In other words, as far as peace policy is concerned, Kohl and Strauss do not have a majority among their own voters. More than 75 percent of all voters are in favor of continuing detente with the Soviet Union and the East European countries.

Strauss and Kohl let no opportunity go by without absurdly accusing us of "Finlandization," "nationalism," "neutralism" or "neglect of the alliance" and the like. But in this regard, too, the voters think differently. Three-quarters of them believe that the government is making equal efforts on behalf of detente toward the East /and/ on behalf of alliance policy with the United States and NATO. They are right. As a matter of fact, two-thirds of the CDU/CSU voters agree.

47. This broadly based approval of our peace and detente policy should let us take heart for the future!

But it should also remind us that solidarity in this political area, too, is of the essence. In this respect, the same applies that I said in an "Interim Balance" I put together in 1971:

"Despite all the mistakes our own deputies, our own leaders or our own government may make, there is a need for helping the men and women we have voted for and not just to watch on television to see them working hard, winning some and losing some. More than the party members out there may realize, they depend on our approval, encouragement and help."

Johannes Rau has reminded us that the party and I went into the 1980 Bundestag election campaign using the slogan "to preserve peace." And he added: "If we then look at the situation one year later with us locked in debate as if the object were to safeguard peace from Helmut Schmidt, then there is something wrong with our ability to communicate and to translate our policies—particularly vis-a-vis young people."

Let me add the following: /The vote of confidence by all socialist-liberal members of the Bundestag made reference/—as the prior government statement explicitly pointed out—to the fight against the economic crisis and the joint initiative proposed by us as well as to our peace policy, which is to say our security and detente policy./ Those party members who publicly disparage this policy are not members of the Bundestag after all. There is a great deal of doubt attached to their solidarity with the Bundestag fraction and the government. At the same time, it causes a loss of confidence among the voters.

V. Jobs, Growth and Stability

48. The battle against unemployment is a crucial problem of the world economic crisis facing all Western industrialized nations.

In almost all industrialized nations, unemployment has by now reached a level which considerably exceeds that of the first oil crisis in the mid-seventies.

Unemployed by Percent of Total Work Force (End of 1981)

Federal Republic of Germany	6.5
France	8.9
Great Britain	11.3
Italy	9.8
United States	8.9

The rise in unemployment in the FRG is not only attributable to the fact that it, too, has been affected by the worldwide recession but also because the labor force has been rising by 100,000-250,000 annually since 1978 due to the baby boom years. This rise in the labor force will continue until the second half of the eighties.

Nonetheless, we have /succeeded in holding down unemployment in the FRG below the level of most other industrialized nations./

49. Price trends, too, have been more favorable in the FRG than in most industrialized countries.

Percentage Rise in Consumer Prices (End of 1981)

Federal Republic of Germany	6.3
France	14.0
Great Britain	12.0
Italy	18.2
United States	8.9

The FRG is among the countries with the highest economic output:

Per Capita GNP (1979 in Dollars)

Federal Republic of Germany	11,730
Switzerland	13,920
Sweden	11,930
United States	10,630
France	9,950
Japan	8,810
Great Britain	6,320
Italy	5,250

This high economic performance rate is reflected in /real wages and pensions which are among the highest in the world./

50. Without a strong increase in investments, no new jobs or training slots can be created. /One-third of all jobs depends on our export capabilities which in turn depend on our international competitiveness. This is why investments in new products, in energy-saving measures and in lowering costs are indispensable./

Private investment since the first oil crisis declined sharply. They have not yet returned to the old levels. That is unsatisfactory.

Percentage of Private Investment in Terms of Domestic GNP

	1972	1974	1976	1978	1979
United States	16.0	15.5	14.5	16.4	
France	19.9	20.8	19.9	18.4	18.4
Great Britain	14.0	15.1	14.6	15.3	15.1
Italy	16.9	19.5	16.6	15.5	15.8
Federal Republic of Germany	21.8	17.8	17.1	17.8	18.9

That is why stimulation of investment is at the center of the joint initiative. We expect the 10 percent investment subsidy to produce additional investments amounting to some DM 40 billion. Added to that, there will be an increase in the credit programs of the Credit Institute for Reconstruction and of the ERP special holdings—primarily in support of small and medium-sized industry and the communities.

51. Another unsatisfactory aspect is the trend in /public investment/ on the part of the federal government, the Laender and the communities. Since the early seventies, their share in total expenditures has declined appreciably.

Share of Gross Investments by Federal, Land and Local Governments of Total Expenditures

1970	12.0
1972	10.2
1974	9.4
1976	7.6
1977	7.1
1978	7.3
1979	7.8
1980	8.3
1981	7.5

It is of particular concern that the Laender and the communities are lowering their investments by about 5 percent in 1982. Given the present economic situation, this will have an adverse effect on the recessive trends of the economy. We have therefore urged the Laender and the communities to make new efforts to raise their investment budgets. Their participation in major investment programs is to be welcomed—such as in the energy-saving and remote-heating programs.

There is no way in which one can restructure public budgets by force, turning from consumer expenditures to investment. It can only be done through long-term efforts, step by step.

52. We will only succeed in solving our difficult employment problems, if we make a joint determined effort. We have therefore appealed to all social groups and government institutions to /participate in a joint initiative to create jobs and to promote growth and stability./ Together with the resolutions which took effect at the beginning of this year, additional funds totaling some DM 40 billion will be made available for private and public investments for the 1982-85 time period.

The Bundesrat majority of the CDU and CSU Laender has been trying to delay and to thwart the necessary legislation. Hiding behind the contention that a 6-month one percent rise in the value added tax from 1 July 1983 to 31 December 1983 is not feasible economically, they are in reality blocking the legislation in order to force a financing impasse upon the Bundestag majority and the government. The motivation stems from party political considerations—the conference committee is to be turned into an extra-parliamentary institution once again. The fact is, however, that the economy must be given a clear idea of what the government plans to do as soon as possible—and not be faced with new uncertainties.

53. The appeal to the /Laender and the communities/, however, to use the funds accruing to them from the deficit coverage tax and the rise in interest rates for additional public housing projects seems to have met with some success.

54. The same applies to the /bargaining partners/ who have in fact stayed within the narrow economic margins in the agreements concluded thus far this spring. The labor unions have displayed solidarity with those members of the labor force who are presently looking for work but cannot find any.

55. The /Bundesbank/, too, has thus far been taking advantage of the possibilities arising from the rapid recovery of our balance of payments: interest rates are falling.

56. The appeal we addressed to /small business, the crafts and to commerce/ to create even more training jobs is in the interest of all of us. It has not yet met with total success. But if the FRG wishes to maintain or to improve its economic position in the world /tomorrow/, we must do more /today/ to enable young people to acquire professional skills. In but a few years we will be facing a real shortage of skilled labor; but when that happens, we will not be able to meet it by bringing in foreign workers again. That is why we must not only have debates in parliament about apprenticeships but must make an effort to concern ourselves at the local party level with those leaving school in May, June and July—to help them and advise them and try to influence the heads of factories and businesses along the same lines.

57. Since the end of sixties, the structure of the world economy has changed completely. The Bretton Woods agreement, which was based on fixed exchange rates, gradually broke down in the mid-seventies. The collapse was primarily the result of the excessive strain on the U.S. economy by the simultaneous

funding of the expensive war in Vietnam and of domestic reforms. The large U.S. balance of payments deficits which resulted from this led to an inundation of the world economy with American dollars. And the result of that was a rise in inflation in practically all countries.

After that, there were two oil price explosions which led to distortions of the international balance of payments structure and to a concentration of purchasing power in the oil-producing states—which declined somewhat during the past year, however.

Balance of Goods and Services (in Billions of Dollars)

	1978	1980	1981
United States	-14.1	+ 3.7	+ 8.8
Japan	+16.5	-10.7	+ 5.5
Federal Republic of Germany	+ 9.4	-16.6	- 8.5
EEC overall	+15.3	-39.9	-20.8
Non oil-producing countries	-23.0	-60.0	-68.0
OECD countries	+ 4.0	+110.0	+60.0

58. The internationalization of all money and capital markets continued at a rapid rate throughout the seventies. At the same time, international division of labor also increased appreciably during this period.

Today, all industrial nations are more dependent on world economic developments than they were before. This applies particularly to the FRG. Our export capability has become an ever more important factor in industrial employment.

Percentage of GNP of Goods and Services Exports

	1960	1970	1980
United States	5	5	10
Japan	11	11	15
France	14	15	21
Great Britain	20	22	28
Federal Republic of Germany	20	22	29

This development presented the industrial nations with very difficult adjustment problems. The FRG met this challenge quite successfully. We do not belong to those countries with the lowest price increases, nor has unemployment risen as much in our country as it has in other industrial nations. We have not only been able to maintain our position in the world economy; we have in fact been able to solidify it although our cost of living is among the highest of most countries. /At this time, we are experiencing a significant rise in exports which should lead to a balanced balance of goods and services this year./ This is the result of our very successful energy cost saving program, our relatively low interest rates and our relatively low price rises.

59. The FRG is forced to expend an ever greater proportion of its real GNP in foreign countries in order to pay for its energy imports (particularly oil and natural gas). Since 1973, our expenses for oil have risen constantly although our imports have declined markedly due to large savings in automobile use, in home heating and in industry.

	Oil Expenditures in DM Billions	Net Imports of Oil and Petroleum Products in Millions of Tons
1973	13.5	145
1975	26.8	123
1978	29.8	138
1979	45.1	144
1980	59.3	130
1981	65.0	109

Energy supply is one of the clearest examples for how dependent the FRG is on international developments. Every crisis in the Near East can cause grave problems for our oil supply; it can endanger the price structure anew and exacerbate our employment problems.

That is why efforts to save energy must continue unabated. We must also try to distribute our energy imports as much as possible among various energy sources (fuels), various suppliers and supply regions, thereby reducing our dependence on a single supplier, a single region or a single fuel to a minimum. The idea of distributing risks makes it incumbent on us to look for an optimum mix in the utilization of /all/ energy sources.

60. The /energy problem/ has moved from the center of attention to the periphery of public awareness during the past year. Both the recession and the first successes made in restructuring the economies of the oil-purchasing countries combined with a rise in oil production outside OPEC have led to a relaxation in world energy markets.

But this should not lead us to believe that /energy policy no longer is of central importance for us./ Although prices have dropped slightly, oil prices still are twice as high as in 1976; over the medium term, they will rise once again. Although oil imports have declined from 138 million tons in 1978 to 109 million in 1981, our payments for oil during the same period have doubled from just under DM 30 billion to DM 65 billion.

Our dependence on oil, which comes to us from an unstable area of the world, is still high, amounting to 44 percent of primary energy consumption. For this reason, the sometimes painful /adjustment process/ of our economy will have to continue. In the third extension of the energy program on 4 November 1981, the government resolved to retain and continue its proven energy policy.

61. The /first order of priority/ must continue to be the /economic and efficient use of energy,/ in particular of oil.

In this regard, we have had much success over the past few years. Primary energy consumption declined by 1.9 percent between 1973 and 1981 with oil consumption down by 21 percent while real GNP rose by 17.2 percent. That is an achievement of which we can all be proud.

Consumers, businessmen, the working population, home owners, renters and automobile users have shown that they are willing and able to meet the challenge of the energy price explosions. /Energy conservation continues to be a priority task. We all know that after the first conservation measures were taken, every additional step becomes smaller, calling for higher costs and greater investments./ Remote heating utilizing power-heat coupling and waste heat thus far untapped will have to come in for further exploitation.

The safeguarding of /energy supplies/ under conditions which guarantee the /competitiveness/ of our economy calls for—in addition to energy conservation—the expansion of supply of /all/ available energy sources at the expense of oil, including optimum utilization of German coal, the development of renewable energy sources, the further utilization of natural gas and the /construction of nuclear power plants to meet demand./

It is important in this connection to make our supply of energy more secure through diversification and a distribution of risk factors both with regard to suppliers and energy sources and the different risks attached to price, availability, the environment and security.

62. /German coal/ continues to be the basis of a balanced supply structure. The government expects and will do its share to see to the optimal use of German hard coal through the remainder of this century and to maintain its share of primary energy consumption—which stood at one-third in 1981. Over the next few years, the special challenge for coal will consist in recapturing a share of heating market through remote heat and a start on coal refining processes.

63. Despite the decided slowdown in electric power growth rates, there will be a need to expand /nuclear energy/ over the next few years for energy-political and industrial-political reasons. Oil, natural gas and soft coal will have to be taken out of the production of electric power—also because of the raw material needs of the chemical industry. Hard coal whose primary role in the generation of electric power remains assured cannot take their place. Even today, there are far fewer base-load power stations available which produce cost-efficient electric power 24 hours a day than are urgently needed in the interests of an internationally competitive power rate. It will continue to be the responsibility of the energy industry and Land licensing authorities to determine the need for nuclear power plants on the basis of realistic assumptions about electric power needs for the future. Together with the Laender, the government will make a determined effort to implement its internationally accepted waste disposal plan.

This energy policy of our government is part of an overall plan agreed upon among the Western industrial nations. It was based on the principle that energy conservation and the utilization of advanced technologies would relieve the world energy market to the advantage of the developing countries which have been hit much harder by the rise in oil prices than the industrial countries.

Furthermore, we should not overlook the fact that/the national environment is being polluted to a much greater extent by conventional power plants ("acid rain") than by nuclear power plants at the present time./

64. In the sixties, the debate concerning the ("ecological") limits to growth began—the limits which would or should have to be drawn in order to protect the environment. It is a question of clean water, clean air and the preservation of forests, heaths and bogs and the many plants and animals. The ecological debate has also had an impact on the political parties of the FRG—most markedly on the reform-oriented groups.

/From the start, the socialist-liberal government has considered the protection of the natural environment to be a political challenge./ Major legislation to protect the environment has been enacted. /Minister Baum can point to significant achievements in this regard./ Anyone looking for common interests as between socialists and liberals will find plenty of them in the field of environmental protection.

Within the SPD, there is an intensive debate going on. This has something to do with the fact that those responsible for our new awareness of the ecology belong to the social groups that the SPD needs in order to win elections. Throughout its history, the SPD has always felt the obligation to raise the question of the meaning and the quality of technical progress. Its ideas of a free, just and united society have never been limited to mere technical progress and a rise in the production of goods.

Environmental protection has always been synonymous with policy on behalf of the underprivileged as well. Since the start of industrialization, the working population has suffered from noise, dirt and toxic materials at the workplace and in their homes. That is why Willy Brandt singled out environmental protection as a priority reform goal in the very first socialist-liberal government declaration. And it was the Metal Workers Union after all which called people's attention to the "quality of life" concept at its 1972 convention.

In its struggle for human progress, the SPD has helped do away to a large extent with material need and economic deprivation. Throughout its history, the workers movement has successfully resisted exploitation of human labor by unbridled capitalism. /It must find ways and means to prevent excessive strain on the natural basis so as to maintain a humane environment./

Major improvements have already been made in reducing air pollution and noise as well as in the preservation of easy-to-reach recreation areas and the removal of unauthorized waste disposal sites.

65. A great deal needs to be done still, of course. The simplistic slogan that says modern industrial societies use "nature's department store as a self-service facility" does not do justice to the problem because ever since the creation of man he has lived by the exploitation of plants and animals—what else? It was not until populations increased and began to concentrate in cities that man began to place an excessive strain on nature here and there. There are historical examples of this such as the deforestation of Yugoslavia or Spain.

It was not until this century that these dangers took on life-threatening proportions. There are two main reasons for it: the world population explosion due to modern medicine and high standards of living and the accelerated industrialization which provided the basis for this standard of living.

Developments in Germany offer a good example for the connection between these two factors.

	Area	Population	Per Capita Area
German Reich	540,000 km ²	65 million	8,300 m ²
Weimar Republic	470,000 km ²	66 million	7,100 m ²
FRG	250,000 km ²	60 million	4,200 m ²

The per capita area available to a citizen of the FRG to meet all his needs—housing, workplace, nutrition, transportation, public facilities, recreation, etc—consists of no more than 40 by 100 meters. At present, it is only half as big as it was for a citizen of the German Reich. It is easy to see what consequences this is bound to have on the strains placed on the environment.

From a worldwide perspective, this simply means that if one wishes (and there is no other way!) for the additional two billion human beings that will let the world population rise to more than six billion by the end of this century to enjoy at least the minimum standard of living we consider morally imperative, then there is no doubt but that severe additional strains will be placed on the natural environment. One of the most important consequences to be drawn from the ecological challenge would therefore have to be to put a halt to the population explosion.

66. But even if the population stays more or less the same—as in our country—it takes a great many efforts and major investment to reduce the existing demands on nature by automobiles, airplanes, by industry, home heating, lighting and medicine. /To proceed too quickly and not to take into account that the international competitiveness of German products must be maintained, is to open the door to long-term, irreparable structural unemployment./

We must not add high costs for the protection of the environment to our higher wage and energy costs in international competition. Otherwise, exports and employment would fall! The employment situation makes it incumbent upon us not to forget that the FRG is closely tied to the world economy. /This is another way of saying that environmental protection can only be realized step by step—the more international the corresponding measures are, the sooner they can be carried out! /

Until now, environmental protection policies have not caused any German jobs in foreign countries to disappear. On the other hand, the delays for environmental protection reasons in building investments in industry, energy supply and transportation have no doubt had an adverse effect on the creation of new jobs.

There are some planned investments that cannot be approved for reasons of protecting the environment and others can only be approved after careful scrutiny by the appropriate authorities. For such matters, we have laws, approval procedures, control authorities and litigation, if need be.

/Approvals and legal proceedings are taking too much time. They need to be tightened./

67. The government goes by the /originator principle./ Costs which until now were defrayed by third parties or by the public must be borne by those who were originally responsible for them. Otherwise, cost distortions will arise and along with these, distortions in the competitive field between firms which put a strain on the environment and those which do not. Environmental protection on the basis of the originator principle is as important to the functioning of the market economy as the governmental guarantees for competition based on anti-trust legislation.

/With the development of ecologically beneficial production processes and products for which there is an increased demand in foreign countries as well, there are markets for the future opening up for German industries—and that goes for the export trade, too. This field thus is part of the structural adjustments our industry will have to undertake during the coming decade.

68. Environmental protection is one of the SPD's articles of faith. It will be our job to convince the working population of the economic necessities connected with ecological goals. We must make it clear to the worker in the chemical industry who worries about his job that concerns about clean air, about the well-being of the trees and forests and the cleanliness of our rivers and water tables are his concerns, too, and not just the concerns of a small minority.

Conversely, those interested in ecology must learn to understand the concerns of the chemical worker or the construction worker and the fact that environmental policies can make progress only one step at a time.

Although we agree with the ecological case in principle—as the government did in its commentary on the "Global 2000" study just recently—that does not mean we should embrace /all/ ecological trends or single-issue demands. The SPD must go on the attack against those trends which are not based on rational considerations but on mystical doomsday visions; which would create a state-run ascetic society or which would have us return to a pre-industrial, crafts-oriented society of small producers.

"Everything must become simpler" is not a useful slogan to help solve existing problems. New ecologically beneficial technologies do not call for less but for more technical innovation! Briefly put: solutions are harder to come by than we thought.

/In every concrete, individual instance of a dispute between investment and employment concerns on the one hand and ecological concerns on the other social democrats are faced with the highly important communal-political and Land-political job of weighing the issues/ and of arriving at the best possible solution for the common good. /It is most important in this connection to explain the rationale publicly for everyone to understand./

In other words, no social democrat can be for or against all new power plants, mines, highways, railroads or subways, runways etc on principle. None can turn down an investment in his backyard only to place it in front of his neighbor's door.

/But there are those in the ecology movement who are working for a rational environmental policy whose goals we share and with whom it is to our advantage to conduct discussions about the proper ways and means of achieving them./

69. In spite of all the strains to which we were exposed by the world economic crisis, we did manage to expand our /social security system/ during the seventies. At the same time, we were able to tighten and solidify the network.

Between 1970 and 1981, real net wages per worker increased by 30.5 percent while real pensions rose by 42.5 percent per capita. If we add to that the projections for 1982 (real net wages: -1-1.5 percent; real pensions: +1-1.5 percent) we arrive at a /rise in pensions over the past 12 years which is 1½ times as high as that of real wages! /

	State Social Benefits (Territorial Authorities & Social Insurance)	Percent of GNP Social Benefits
1970	174.7	25.7
1971	198.8	26.3
1972	224.0	27.1
1973	252.6	27.5
1974	288.9	29.3
1975	330.3	31.9
1976	354.9	31.6
1977	380.6	31.8
1978	403.5	31.3
1979	425.1	30.4
1980	449.5	30.1
1981	ca 480	ca 31

70. The massive increase in social benefits was of course paid for through taxes and social deductions. /The strain on gross earnings of the broad masses of the working population rose accordingly./

	Tax Quotient	Deduction Quotient	State Quotient in Percent of GNP
1968	22.8	32.8	37.9
1969	24.3	34.7	37.9
1970	22.7	33.6	38.0
1971	22.8	34.0	39.2
1972	23.8	35.5	40.2
1973	24.4	36.9	41.0
1974	24.3	37.1	43.9
1975	23.4	36.8	47.7
1976	23.8	37.8	47.0
1977	24.9	39.0	47.0
1978	24.7	37.8	46.8
1979	24.5	38.4	46.7
1980	24.5	38.4	47.3
1981	24.0	38.3	48.4
Proportion of Deductions of Total Labor Force in Percent of Gross Wages and Salaries		Proportion of Taxes and Social Insurance of Worker's Household of Four in Percent of Gross Earnings	
1970	22.7	19.0	
1971	24.0	20.3	
1972	24.0	20.9	
1973	26.5	22.2	
1974	27.6	22.9	
1975	27.5	21.7	
1976	29.2	23.2	
1977	30.0	24.0	
1978	29.3	23.1	
1979	29.1	23.1	
1980	30.1	23.1	
1981	30.4	23.5 (third quarter)	
1982	31.2	—	

/Anyone now asking for a further expansion of social benefits should know that the strain placed on active members of the labor force would thereby be increased more and more./ I am aware of the fact that there are psychological (/and political/) limits for such additional strains which must not be exceeded!

71. /For this reason, the curtailment of possibilities for abuse of the social net is predicated by solidarity/ even if this is often superficially designated as an asocial act. There are mistakes that can be made—as there were recently in conference committee at the urging of the CDU/CSU Bundesrat majority with regard to the pocket money provided for residents of old age homes. This particular mistake must be corrected.

But without a doubt there are quite a few malingeringers and free-loaders. To deal with these is /one of the unpleasant but inescapable tasks of social policy today./ It is for the very reason that the social net should not be overtaxed—since it otherwise will rip—that social peace ought to be preserved.

72. For this reason, too, we have slowed down the /influx of foreigners./ There are some who castigate the government for taking steps to limit this influx. The foreigners organizations and the welfare groups in particular but members of the SPD as well are calling it inhumane and point to our obligation toward people who are worse off than we.

But there is a growing number of the labor force that feels we are not doing enough to protect our people from developments that go by the general name of "foreign infiltration. A lot of this is dangerously emotional; but a lot is true as well.

The fact is we first called the foreigners in because there was more work to do than we ourselves could handle. It is also a fact that the foreigners alone are not to blame for the present ominous mood which ranges all the way to ugly outbreaks of hostility toward foreigners. They are not responsible for the rise in oil prices with all its consequences up to and including the loss of jobs; but by now, of course, they have become competitors on the labor market. Just the same, we cannot take it out on the foreigners living here that we originally called so many of them in and let them stay.

73. By the same token, we should not think we have /unlimited powers to achieve integration./ We could in fact quickly reach a point where the problems of integration could no longer be resolved on a quantitative basis. The result of that would be social conflict and defensive reactions both on the part of the Germans and the foreigners which would make an integration of the immigrants impossible in the final analysis.

Not every one of the 4.6 million foreigners—nor even a majority of them—pose problems for us. Some nationalities, however, are having a difficult time adjusting to our way of life.

But if the manifold efforts at integration by the government, by the social groups and many committed citizens are to be successful in the future, certain parameters will have to be observed to secure the integration plan. The first of these is to /limit further immigration to those family members capable of integration/ that is to say to those who /in terms of age/ and social origin are in fact capable of integration into our society.

74. But even if we succeed in limiting the influx, good will on both sides will not suffice in itself to cross the threshold to integration. There are 1½ million Turks in all; more than 500,000 of their children are under 16. Under such circumstances, the kindergartens and schools must be put in the position of making integration work in earnest.

For about 250,000 non-working adult family members ways and means must be found to adapt them to our society because in their case schools and places of work simply do not serve as integration facilities. This is a field in which the communities, business and industry must help.

But /we must also ask a lot of the foreigners who live in our midst./ They must be made to understand that we do have problems with them and that the centuries-old European civilizations are far less flexible than the societies of the classic immigration countries overseas for example.

For one of the Vietnamese boat people who was welcomed at the airport by some German minister president and is now waiting in some camp for his family to be permitted to leave Vietnam and then to go to his relatives in America, we must find a different solution from the one for those from other countries /who only appear to be seeking asylum/ who were promised easy work and lots of pay in Germany by a trafficker merely because they talked "asylum" and had the right lawyer.

75. There are some who say we should at long last give up on /the fairy tale that we are not an immigration country./ This is true as far as it goes: if we were one of the classic immigration countries, things would be a lot easier. Because there is no one who calls Canada or Australia down, for instance, for setting quotas along ethnic or national lines or if they stipulate professional qualifications and later on insist on assimilation. If we are not to pursue this kind of policy, then we do not have to let the dispute about the meaning of an "immigration country" get out of hand.

But /we do need to tighten and accelerate the procedures on granting asylum as soon as possible./ Hans Koschnick and many others as well as the Bundesrat are right in principle. Anyone who merely feigned political, racial or religious persecution in his native country should be sent home. The "false asylum seeker" is attracted to Germany because our social net provides a much higher standard of living—particularly if he is unemployed—than does hard work at home. This abuse of our social welfare net disturbs domestic tranquillity. We must put an end to it.

76. But the foreigners living in our midst must muster the strength to make a decision. Many of the problems have only arisen because too many of them based their attitudes and plans on the assumption that they would return home within a few years. They shut themselves off from our language and our culture; they left their wives and children at home and did not bring them here until it came time for the children to start working.

This cannot be permitted to go on. Anyone wanting to continue living in our country must opt for it. Anyone merely wanting to work here for a while should accept the fact that he will return home sometime. /We have let things slide too much for too long on both sides./

77. To summarize the economic and social situation in 1982: Only some few aspects of the world economy are characterized by an upward trend. /Here in the FRG, inflation is coming down and so are interest rates (including mortgages); real wage costs are not rising but coming down as well. As a result, exports—one of the most important factors affecting employment—are increasing and our balance of payments (our balance of goods and services) is getting back to normal. These are all positive signs! /

There is no denying that we are still greatly dependent on the development of the world economy and particularly that of the United States and that the growing number of orders received will not lead to a substantial decline in unemployment by the fall of 1982—/but all in all, things will improve! /

78. In the social democratic view, we would of course be better served by government investment assistance that was specifically aimed at structural changes in the economy than by generalized investment subsidies. We would also welcome a surtax on higher incomes—in addition to the rise in the value-added tax as of 1 July 1983—for reasons of social justice.

We would also have been happier with a slower adjustment rate on apartment rents; but our coalition partner, the FDP, thought an even faster rate was called for. Originally, the FDP was opposed to financing the investment subsidy from the rise in the value-added tax and to any employment program at all. Instead, the FDP wanted to see even more budget savings, particularly in social benefits. /As you can see, the FDP, too, made far-reaching concessions./

In the future, too, the two coalition partners will have to meet each other halfway and for that matter, the CDU/CSU majority in the Bundesrat has a lever in hand which makes compromise imperative. /Now anyone who is neither willing nor able to compromise is of no value for social peace or for a democracy as such./

That does not mean that we social democrats have to throw our social and economic or the Godesberg Program overboard! We must implement it /one step at a time./ Philip Rosenthal oft-repeated insight should guide us: /The alternative social democratic program embracing co-determination and capital formation is equally opposed to unbridled capitalism and socialization as well as the patronizing form of state bureaucracy./

VI. State-Society-Youth

79. In our country—and not only here—there is a great deal of strong and in part violent controversy now with regard to political and legal decisions affecting the introduction of new large-scale technologies and projects. Some of our young people and some intellectuals have voiced the opinion in public discussions about these issues that the government is going through a crisis of legitimization or a crisis affecting the justification for its existence. It is being said that legally enacted decisions approved by the courts were no longer truly legitimate. They no longer corresponded to the different value systems of the population and could therefore neither be accepted nor supported. In order to push through alternative value systems and changes in priorities demands are raised for new forms of participation which would alter the parliamentary-representative form of government prescribed by our Basic Law. Before one starts to think about such proposals, it is necessary, it seems to me, to analyze what is behind all this first.

To my mind, it is /facile to speak of a crisis of the legitimization of the democratic constitutional state./ For that matter, the great majority of those demonstrating for peace or against nuclear power plants or against the West runway is not in favor of changing our democratic form of government. Beyond that, the vast majority of the demonstrators is peaceful and law-abiding.

80. But for the really violent ones among the demonstrators, society and government easily become targets of their anger. For them, it is not so much a matter to protect the environment and life itself. Instead, they are not sufficiently prepared to accept the kind of discipline that is required to make possible the cheek-by-jowl co-existence of extremely demanding masses of people.

The high standard of living has led to the increased utilization of available space for private housing, private transport and private recreation as well as for public facilities and transportation and for production and jobs. In addition, the outcome of World War II drastically reduced the space available on a per capita basis. /The tighter the space, the greater the need for legal regulation, for division of labor and for bowing to "things as they are."/ These needs are further intensified by the German penchant for over-regulation.

It is difficult to come to terms with these needs—the more so, since these things are not sufficiently stressed in our schools and universities. The natural urge to independence on the part of young people—not only in our country and not only today—rebels against this. Added to that, is the illusion that one could live better, if one did not discipline oneself to the point of exercising mutual restraint. The gospel of conflict easily replaces the gospel of tolerance—to say nothing of the ability to compromise.

Now naturally all this contributes to the inclination already present in many young people to look for an escape valve in aggressiveness. /But it is not enough just to understand this whether you are talking about a single individual or an entire group of young people (or a Young Socialists working group); nor should understanding them simply lead to letting them be. What we really need/—in addition to understanding—is to stand up firmly for our point of view of rationally weighing conflicting interests and arriving at a democratic decision./

81. Now anyone entrusted with political responsibilities who uses the conflicts surrounding the introduction of new large-scale technologies and projects to point to the tensions existing between legality and legitimization runs the risk of walking into the trap those have set who wish to resort to violence and would break down legality. The calls for "soft technologies" and for violence are mutually exclusive from a moral standpoint.

The truth is that we are talking about a dispute about the right policies. And what makes this political controversy difficult is that they raise their own moral demands to the level of imperatives while grossly brushing aside the demands and interests of others. In some instances, this disdain has led to a polarization of opposing points of view. That is why it is so difficult to resolve conflict on the basis of traditional decision-making processes and to accept /democratic majority decisions/ and rulings by the courts based on the rule of law.

/Anyone who turns his own moral zeal into something absolute becomes deaf and blind to the views of the other side and soon denies that their decisions, too, are based on moral considerations./ Nonetheless, he may accept the moral priority of safeguarding and increasing the number of jobs in theory. At any rate, a decision will have to be based on a rational analysis which preserves the substance of the two moral claims and tampers with them as little as possible.

82. Aside from information, dialogues, tolerance and the readiness to change one's mind, I can see no other way that could bring about better results. That is why I do not believe that plebiscites about plans for major technological projects are the answer—not only because our Basic Law provides for representative democracy but above all for reasons of expediency. /The fact after all is that even in a plebiscitary democracy minorities must accept the decisions of the majority!/ One look at our neighbor Switzerland shows that even a democracy that has a strong plebiscitary tradition conducts its disputes with the same vehemence as we do—and that the outcome is no more satisfactory than it is here.

As our German history of the Weimar period clearly shows, plebiscitary decisions can easily be abused by emotional movements and their leaders for the purpose of /mis/leading. Just think if we had held a plebiscite about a large-scale nuclear power plant construction program 15 years ago or if we had a plebiscite on the "throw the foreigners out!" issue today. Can you imagine how unbridled the agitation would be and how it would leave the responsible political parties by the wayside.

/In a word, I do not think that plebiscites in Germany are better suited in principle for resolving divergent moral claims than parliamentary decisions./

It is a good thing that the possibilities for citizen participation have expanded over the past few years and have been utilized increasingly. I am thinking, for instance, of the appeal procedures in construction matters and —after passage of the atom law—in environmental protection as well as of the wide-ranging participatory schemes in the field of education. The problem connected with citizen participation in decisions about large-scale technology is that the decision-making process takes place on many different levels and that the public often does not get involved until the process has reached an advanced stage.

83. Needs or problems which private citizens can take into consideration or resolve need not be subject to state or municipal regulation. There are plenty of examples such as youth centers and integration centers. This is a large field open to social democratic initiative—practically everywhere!

84. Young people who are finishing school or their higher education today were still in the kindergarten when the first socialist-liberal government came to office. 20 years of conservative policies under Adenauer and Erhard and the grand coalition which got things moving for the first time are just history to them—no closer than the war, the Nazi period or the Weimar era.

They do not know from their own experience just how profoundly socialist-liberal policies have changed our country and our life together. Much of what we consider matters of course today are achievements made quite recently—in part against extremely strong resistance. Since the early seventies, we have made tremendous efforts to protect our endangered environment. It was not until then that environmental protection turned into a political concept. Our laws today are among the strictest in the world. Protection of young workers was minimal up to 1976 when we expanded it effectively and we also got the factory constitution law, the law for the advancement of education and the children's subsidy laws passed.

Is there anyone today who is aware of the fact that there are politicians still active today who worked on abolishing one-room schoolhouses and wire fences separating Catholic and Protestant schoolyards? Secondary schools and universities served primarily to educate the children of high-ranking officials, physicians, lawyers and the managerial class. Workers' children constituted a small minority. That is why Willy Brandt placed education and vocational training at the head of the list of needed reforms—and he was successful. Since then, the proportion of workers' children at the universities has almost doubled. Girls have made particularly large strides: today, almost half of the secondary school students are girls. At the same time, the proportion of those boys and girls entering life without a completed education or professional training has substantially declined.

These few examples clearly show that young people must consider all this self-evident—particularly if they are not really familiar with foreign countries. Almost perforce, they also view our freedom from foreign pressure and dictatorship as being self-evident.

/It takes some discussion to get many of them to realize that one must make great efforts to maintain and protect all this in a time of major worldwide East-West tensions and a deep, worldwide economic crisis; that this calls for sacrifices and that it will take even greater efforts in the future to build on all this and to expand it further!/

When I recently met with a group of editors of youth magazines and youth radio programmers, I was asked: "Would you tell us what still makes life in this country worth living?" My reply to them was a question, too. "What do you mean by the word 'still'?" Do you think life in Germany was more worth living during the misery of the refugee years or the war or the bombs that hit Hamburg and Dresden or the Nazi dictatorship or when there were six million unemployed during the Weimar period or during the first World War or the time of William II? Or do you think life was more worth living under Stalin or under Ulbricht? Please tell me what exactly you mean by 'still'."

Of course the young people did not answer this question of mine. But in the discussion that followed I came to realize once again that the aversion to our present society and government is a kind of "in thing." Much of what the young people themselves consider "critical thinking" in fact amounts to mere conformism to the views held by their own peer groups. They must be firmly told that /this/ society and /this/ form of government—as imperfect and needy of improvement as they are—are the other Germany, the better Germany. /Historical comparisons are needed! And the schools should know that history is even more important than sociology!/

35. If we do not draw these historical comparisons, we will not be able to impart to the generations to come an image of what they are looking for most of all: the positive image of a humane society based on solidarity; a community of achievement but not at any price; the image of a free society—free from moral constraint; the positive image of a country free of coercion by a foreign superpower—and on top of all that, the realization that all this is by no means self-evident for a country situated in the center of Europe.

36. From the beginning, it was the mission and the stimulus for social democratic action to achieve /more/ humanity, /more/ justice and /more/ solidarity. And it is this word /more/, as Waldemar von Knoeringen once put it, that constitutes our legacy to the coming generations.

To realize this "more," can also mean doing things differently. That is why I respect and appreciate serious attempts by young people to realize alternative ways of life which they think will provide them with /more/ solidarity and a /more/ meaningful life. We should not take the common roof of social democracy away from them, if they want to live under it and as long as they do not want to live at the expense of others.

One obtains a wrong image of young people, if one merely looks at those who shout and resort to violence. Day after day, there are young men and women who look after needy people or deliver "meals on wheels" or take care of foreign children. Without the help of young people, much work of our welfare associations would not get done and commitment toward the Third World would not receive enough impulses.

In different ways, these young people are trying to reach the goal which has motivated German social democracy from the start: solidarity and togetherness. We experience this every day in a variety of ways—in spontaneous actions to help the oppressed, in perfectly viable community living arrangements, in personal conduct which is characterized far more by cooperation than by competition.

87. I must admit nonetheless that they are trying to set themselves apart from the older generation both in language and attire. We know that peaceful political display and self-imagery are close neighbors of aggressive militancy. And the provocative language contained in many a Young Socialist manifesto merely represents conformism to supposed militancy among their own generation. That is a pity!

Here in this area, there is a job to be done; but the problem may be almost insoluble, if the young people do not make an effort, too.

We must safeguard the freedom of young people to be "different" because this contains the seeds for something better or "more" in Knoeringen's sense. But we must at the same time guard against any attempts that might destroy what has made this republic "a different kind of country." Because this free, democratic society, this state based on the rule of law is that "different kind of country"—different from the unjust dictatorship out of the ruins of which this federal republic and the offering of freedom contained in our Basic Law have arisen.

I appeal to the young people in our party: /You will only achieve something better, if you understand history and come to appreciate and preserve what is good! /

VII. Consequences

88. In summarizing this review of today's political problems—which may be extensive but is by no means complete—then we can see German social democracy confronted with a dual challenge. On the one hand, the world economic crisis threatens our jobs, the well-being we have achieved, the stability of our social welfare net and, as a result, social and domestic tranquillity. On the other hand, our peace policy faces a severe test in view of the threat of a new arms race and the worsening of international relations, particularly between East and West.

In spite of all the criticism directed against current developments, we should not forget that social democratic-led governments over the past 13 years have managed to achieve substantial progress in economic and social policy. The working people of this country today are more secure legally and better off economically than they ever were. To get to this point, we have built a system of balanced interests the like of which does not exist anywhere else in the world. /No theory or ideology being touted abroad or domestically to combat the present world economic crisis and promising to solve all the problems should lead us to give up this structure we built up over the years and which has stood the test./For that matter, we social democrats can be proud of having made a substantial contribution to the success of this model which promotes economic prosperity and social justice. /We have a great deal to lose!/
/

There is just as much at stake with regard to our peace policy. For 13 years, social democratic-led governments played a major role in turning the world away from confrontation and harsh polemics toward a policy of negotiation, of the willingness to engage in dialogue, of reasonableness and the peaceful settlement of disputes. /It is the historic task of social democracy to keep on pursuing this path. If we failed to do so, we would at the same time put most of the gains of the past 12½ years in jeopardy./

For the SPD, this dual crisis is nothing new. The political party which has stood up for the interests of the working people, the underprivileged and the weak has learned from long experience that violent and authoritarian solutions of domestic conflict lead to the collapse of external peace. /For the German workers movement, the connection between domestic and external peace is a primary aspect of historical experience./

Q. /Any social democrat who thinks that 20 years of opposition would do his party good/ should take another look at his own party's history. He definitely /ought to know that no social democratic-led government in Germany ever permitted the risk of war or civil war to increase!/ This also applies to the years since 1969—despite terrorism and despite Afghanistan and Poland. And it will apply in the future as well.

But any social democrat who thinks he can put up with the collapse of the Werner government over the nuclear power issue or the collapse of the federal government over the double-track issue would, for the sake of his own personal point of view, be putting up with the frustration of our /common historic mission./

otto Braun was right in what he said when the SPD brought about the resignation of its own Reich chancellor Hermann Mueller-Franken: "One cannot make the cart go in any direction, if one walks beside it. One must stay in the river's seat!" / Anyone who would turn the wheel over to the likes of Strauss or Kohl or Albrecht or Dregger over some second-rate dispute would not only permit the dispute to be settled /without/ weighing all the facts as well as against his interests—he would above all permit the answers to issues of

the first magnitude concerning domestic and external peace to be provided by altogether unsuited political figures, to put it mildly.

90. An SPD in government needs partners who are ready to work along with it. This applies equally to domestic and international policy.

Neither in Bonn, nor in Saarbruecken decisions can be made on the positions taken by the 14 members states and governments of NATO or those taken by East Berlin or East Europe. But one can exert influence on one's friends—by steadfastly pursuing our own national interests, by being ready to engage in dialogue and to work out compromises, but not by submission to a foreign will. One can also exert influence on the neighbors to the East—but certainly not by adjusting to their ways!

Neither in Bonn, nor in Wiesbaden do we enjoy a majority; in both places we need a coalition partner. The loss of coalition partners in Berlin and long before that in Lower Saxony has made the legislative process in the Bundesrat extremely difficult for us; it has made us lose the majority in the conference committee and has moved Minister President Strauss into a position where he can exercise veto power and block legislation.

/But anyone in need of a supporting player or coalition partner must be considerate of him./

91. It is often difficult to show such consideration. It is also often more difficult for the FDP, our coalition partner, than it would seem on the surface.

Since the federal republic was founded, the FDP was in the theoretical position of being able to form a coalition with either the CDU/CSU or the SPD. That was not only based on the premise that—historically speaking—it included both liberal and national-liberal elements and personages. Furthermore, it was and will (presumably) continue to be one of the raisons d'etre of the small FDP, hovering around the 5-percent limit, to serve as a coalition partner of one or the other of the great popular parties. /If the FDP could no longer switch sides in theory, it might well become superfluous./

/Since 1969, the FDP has for almost 12 years had no reason to switch sides again in the Bundestag./ The joint foreign and security policy regarding external peace fully corresponded to its own views—it had in fact contributed substantially to its formulation. /But if there has been a growing trend within our own party to cast doubt on important aspects of our joint peace policy since early 1981, it is only natural for the FDP to become nervous./

92. From 1969 until 1980, the FDP also had no reason to think about switching sides as far as domestic issues were concerned. It was not until 1981 that two /domestic reasons for nervousness/ did arise.

/First,/ ever since there was no more income growth to be distributed and in fact—temporary—sacrifices became inevitable, the strong trend within the FDP toward representing the material interests of the "middle class" has become much more pronounced. It desires to represent the interests of the upper-level white-collar class, of upper- and higher-level public servants, of management, of farmers, professionals and independent small businessmen. The great mass of working people, pensioners and the unemployed are of correspondingly lesser concern to it.

/This pronounced representation of group interests inevitably leads to a wider area of conflict with the SPD./ As long ago as 1919, Walther Rathenau, a member of the German Democrats, voiced his concern about the fact that this particular party was "merely defending the interests of bourgeois-capitalist professional life from social democracy and wanted to hear nothing of economic renewal or political idealism."

Now this accusation which was too polemical then does not apply now. Jointly with us, the present FDP has enacted a great many reforms based on "idealist" convictions. Just the same, there is a small kernel of truth in that 60 year-old quote given the economic situation in 1982.

However: we social democrats, too, represent material interests of large groups, of the largest segments of the population—albeit without neglecting the desire to find a just balance with the justified interests of other groups and certainly not without the "political idealism" Rathenau talked about.

/The democratic representation of interests is by no means dishonorable—it is in fact self-evident for all political parties!/
/

/Second,/ as aware as the FDP leadership is of the fact that its party friends in Hanover, Hamburg, Duesseldorf and Berlin were not without blame with regard to being removed from the governing Landtag coalitions, it perceives a threat to the present Bundestag coalition on the part of one social democrat or another. The SPD "fraying-out" process, as the FDP calls it, /is a threat to the FDP as well in the eyes of the FDP leadership/ in that it might take hold of its so-called left wing.

93. At this time, the FDP leadership must be worried first and foremost that the CDU/CSU might gain an absolute majority in 1984. This would cause the FDP to lose its pivotal position in Bonn and in many of the Laender as well. An additional worry plaguing them is that they might be outdistanced in some of the Laender by the Greens or Alternatives and drop down to the 4th party slot.

All these are grounds for many commentators to interpret and to publicize certain statements by FDP politicians as pointing to an imminent, premature coalition switch. It is certainly /not in the interest of the FDP to gain the reputation of being a "seesaw" party./ One does not want to switch sides

but if one did after all, one would have made sure in advance that the blame would fall on the SPD and not the FDP.

94. /Mr Genscher and the FDP are not thirsting for the assumption of the chancellorship by either Strauss or Kohl./ They are not thirsting for a coalition with the CDU/CSU which espouses a quite different security policy and Ostpolitik and which is putting down all the achievements in domestic and foreign policy which the FDP has stood for since 1969 and stands for today. /The vote of confidence for the chancellor/ therefore was no obstacle for it.

The FDP deputies know full well that this vote cannot be revoked. The vote of confidence also imposes an obligation on the SPD deputies. The chancellor's prior declaration expressly related the vote to security policy and to economic policy. It imposes an obligation on both partners. And as for the SPD, it has to realize that in principle only the FDP has been a possible coalition partner for some time. All the more reason to treat this partner decently—even if we had four times as many deputies in the Bundestag. After all, no social democrat would want to enter a coalition with Strauss and Kohl.

/The FDP for its part should not only expect restraint from us but exercise restraint toward us as well. This principle will become more operative again, the more united and impressive the image of our own SPD becomes and the more the two coalition partners turn to tackling joint programs and goals./ Although I would not want to prejudge anything, one such program might be to find new ways toward productive /capital formation./

95. There is no need to spend a lot of time talking about the CDU and the CSU. Mr Kohl knows that he will not be nominated for chancellor in the Bundestag election in 1984 again unless he has become chancellor before then. That is why he is hoping for a change of government ahead of time. He thinks he is riding the crest of a wave which he might be able to influence by means of his own political image and a clear presentation of alternative policies. That is why he does not come up with any substantive alternatives and restricts himself to a negative role. That is the reason for playing the veto card in the Bundesrat. Mr Kohl permits himself to be used as a handmaiden for Mr Strauss' Sonthofen strategy which is to impose fiscal strictures on the socialist-liberal coalition by refusing to grant them the Bundesrat's approval—a rather irresponsible act vis-a-vis the public welfare.

The undignified overtures to rightwing conservative and reactionary newsmen and politicians in the West, too, are made with the aim in mind of splitting the socialist-liberal coalition with the help of some American and some German newspapers.

Every word said about Strauss' role in the United States would be one word too many. He, too, knows that he will not be put up a second time in 1984. That is why he is trying to secure a kingmaker's role that none can overlook. The careful tactics other possible chancellor candidates have adopted toward him are plain to see—even if none go so far as to suggest we take over the economic recipes now being employed in the United States.

/None of all this is dangerous. There would be a danger only in case some discredited voters of the political center switched to the CDU. We must not open up the left of center to either the FDP or the CDU!/

96. In its struggle to preserve its positions, the SPD is presently encountering a general mood of depression. Some aspects of the current developments in technology and the economy or of opinion polls are extrapolated with seeming objectivity or the case for the collapse of the social system, of world peace or the ability of the SPD to govern is made with apparent conviction. What some authors of extrapolations merely cite as /one/ possibility among many is transformed by others into an inexorable necessity.

A political force like the SPD which has made it its business to control social, economic and technological change politically in the interests of those who are exposed to it cannot stand idly by and say nothing in the face of such a trend.

For all that, the SPD, too, now has a tendency to give priority to momentary statistical data instead of relying on assessments based on an overview of historical processes. It would be disastrous, if this tendency were to play a major part in the party's self-assessment from now on. To be sure, historical experience is not the only key to understanding the present; but dealing with one's own history, with the history of one's own successes and failures, with the experiences that shaped the programmatic continuity of social democracy—all these are of far-reaching importance for today's SPD.

History can teach us what strength the German workers movement has drawn from its committed and at times vehement confrontation with social reality as well as from unified and solid action. Again and again, the SPD managed to roll up its sleeves in times of crisis and to get things moving again. And—almost just as importantly—we have had the experience that /if solidarity broke down at such times, the whole German applecart started down the incline!/

But the examples of solidarity and success are in the majority; there are plenty of examples of this kind from the postwar period and the early days of the second German republic. In the years following the catastrophic war, social democrats in many cities and communities were swept into office by the voters—but not because they engaged in ever more sophisticated debates about theory. The reason people turned to them was that they displayed the zeal, devotion and resoluteness that were needed to build a nation on the spiritual and material ruins in which working people would enjoy equal rights with everyone else.

97. It took a long time for us to come to terms with the experiences of the Weimar era, of decline, exclusion and ultimate collapse. But despite all disagreements, the struggle for a new set of principles which culminated in the Bonn Program and the SPD goals it outlined for the second half of the 20th century made the party stronger and capable of attaining the majority.

In that program, the SPD agreed that no social situation should be considered final but that every historical social system should be analyzed over and over again according to the principles of democratic socialism. It further agreed that there is no such thing as a "class" capable of bringing this final state of affairs about according to supposedly objective historical laws but that social democratic actions would be based on a broad coalition of all those willing to work toward the realization of the principles of freedom, equality and solidarity and finally, that this coalition would have to be re-constituted again and again on the basis of a realistic assessment of political conditions and on the basis of common efforts characterized by solidarity.

/The Godesberg Program is as valid today as it was in 1959./

98. But how does the public view SPD solidarity today? Between September 1980 and early January 1982 people were asked whether "the SPD is more or less unified today than it was a year ago." These were the findings:

	More Unified	Less Unified	No Answer	Difference
1980				
September	43	22	35	+ 21
October	37	29	34	+ 8
November	36	27	37	+ 9
December	33	33	34	0
1981				
January	24	46	30	- 22
February	9	75	16	- 66
March	10	73	17	- 63
April	11	67	22	- 56
May	11	69	20	- 58
June	7	77	16	- 70
July	12	70	18	- 58
August	12	70	18	- 58
September	12	68	19	- 56
October	9	75	16	- 66
November	9	73	18	- 64
December	12	69	19	- 57
1982				
January	11	68	21	- 57

Clearly, the party has expended far too much of its strength and its efforts on airing its intramural differences in public. Far too often, an attempt was made to steal a march on rivals within the party while the struggle with the political opponent was neglected. Far too often, solidarity was no longer understood to mean brotherhood.

99. What Willy Brandt said in April 1974 applies even more today: "In every case where a single individual makes a statement on behalf of an entire group, we will clearly state what the views of the party are, if it seems warranted. /Anyone acting in concert with the communists has no place in the SPD;/ nor does anyone who characterizes the Godesberg Program as an offer to capitalism to join us in a coalition; nor does anyone who calls for the mobilization of labor in opposition to the SPD; nor does anyone who /vilifies social democrats who hold government office./"

It impression that we must make changes as rapidly as possible is shared by many in our party and by many outside observers as well. The Baden-Wurtemberg SPD has drawn some conclusions based on its own analysis which are valid for the party as a whole. "The SPD will...take more of an interest in the working atmosphere and the home life of the working population (particularly of skilled workers, technicians, engineers, working wives and members of the low-, middle- and upper-level public service sector) and try to include them to a greater extent into the intra-party and the social decision-making process."

100. That must have an impact on the work of the local party chapters. Do we really believe we can make a go of it, if there are hardly workers from small industry active in some of our chapters—to say nothing of delegates and other elected officials ? 10 years ago, Willy Brandt appealed to the labor unions to send their men into the party and into the parliaments. That appeal can only bear fruit, if the party is willing to /nominate factory workers, members of factory councils, union shop stewards and labor union officials and to send them to parliament./ Otherwise, the broad coalition which determines the SPD's identity and serves as the basis of its capability to act would already turn into a farce at this elementary level.

In the course of 120 years, the SPD managed on its own to turn the workers from objects of political exploitation into subjects of political action. This experience must be joined by one other. Despite the successes along the way, there is no political area in which one can act successfully entirely on one's own—there is a need for partners!

We need to realize that not all compromises are "sordid compromises." Anyone who rejects compromise on principle is not suited for democracy or for peace./

We must realize that we cannot prevent a world economic crisis all by ourselves but that we can do everything in our power to soften its impact on our economy and our labor force and can even turn it to our advantage. We must realize that we cannot safeguard world peace militarily or politically for all time by ourselves but that we can make a major contribution toward directing the course of world politics toward peace.

Turn toward realism and a renewal of solidarity—both of these are needed in 1982./

PAPER COMMENTS ON RIKSDAG FOREIGN POLICY DEBATE

Stockholm SVENSKA DAGBLADET in Swedish 24 Mar 82 p 2

[Editorial: "In The Big World"]

[Text] If the surrounding world on Wednesday took the effort to follow the Swedish foreign debate in Parliament, it would have to ask itself whether Sweden's government today has any foreign policy worth its name.

The foreign minister did observe that "an icy wind is blowing through the world" and that the tension increases. Since he had also correctly observed that the Nordic countries had become the subject of increasing attention from both sides, it would have been of interest to know more about what the Swedish Government plans to do to contribute to a reduction of the tension in our part of the world and thus increase our security.

That the government speaks up about what it thinks about violations about human rights and oppression in various places in the world is certainly proper. Unfortunately it is difficult to get away from the idea that the foreign political declaration gives the impression of a sad catalogue of the world's evil and man's inability to overcome this evil and better distribute the world's resources.

With such a tired introduction to a discussion of the world situation it was not surprising that Ola Ullsten came to occupy an intermediate position when the two opposition politicians Olof Palme and Gosta Bohman took command of the debate.

However, in order to do justice to Ola Ullsten, it must be said that he was stronger during the following debate, for one thing, when he covered his welcome of Leonid Brezhnev's latest nuclear weapon initiative with many reservations, while Olof Palme said he was clearly positive to the proposal and found it difficult to understand that the Soviet initiative in some places received surly comments.

Many members of parliament were in the fire, and many who make it a point to try to expand their horizons also believed they had a message. But it is uncertain whether the surrounding world manages to take all this seriously, as for instance when Swedish popularly elected people establish a new state in the Middle East or when others apparently completely freed from any doubt know

how to explain the concepts in the tragically affected Central America. Sweden is fantastic!

After Indochina was forgotten in the Swedish debate, Central America had become the fashionable debate subject, and in view of how events developed in Indochina it is surprising to find that so many Swedish politicians are so dead certain when it comes to evaluating the situation in a part of the world where the fighting parts both devote themselves to a repugnant activity.

The fact that Olof Palme and Gosta Bohman became the two men who were responsible for the most acrimonious interchange of replies in the debate should probably be ascribed mostly to the fact that they represent the two parties which are the two main opponents in national politics.

When Palme talks about "mean subservience" among the "conservatives," he risks coining one more cliche, which hurts himself most, and it can also contribute to obscure the impression that the two biggest parties have so much in common with regards to the outlook on the world situation and which policy Sweden should conduct in order to guarantee its own security.

In contrast to the majority of the speakers, these two men stuck mainly to the situation in the immediate vicinity of Sweden and the risks which Sweden incurs due to the tense situation which prevails in the East European block. Bohman's observation that the biggest risks for stability and peace in Europe lies in the fact that civil and national efforts are incompatible with the Soviet's basic outlook lies close to Olof Palme's emphasizing that we as Europeans can never accept a permanent division of Europe.

It is also worth noting and welcoming that the Social Democratic leader after his earlier, many times sweeping exposures of the conditions in distant countries has now come home to Europe.

As regards Sweden's part, foreign politics is to a high degree European politics. One of the most interesting contributions to Wednesday's debate will therefore be Palme's statement that even within the framework of our neutrality policy there is "in principle almost unlimited room" for collaboration with Europe and that Sweden should therefore seize all possibilities for expanding the contacts and the collaboration with the European Community.

How many people in Mr. Palme's party share that idea?

8458

CSO: 3109/138

PERIOD OF BASIC TRAINING, OFFICER TRAINING TO INCREASE

Helsinki HUFVUDSTADSBLADET in Swedish 2 Apr 82 p 13

[Article by Henrik Karlsson: "The Condition Of The Recruit Is Given Hard Tests"]

[Text] "Something new in this new system is that the recruit after basic training should be able to carry out what in Swedish we call the soldier's test," reports the commander of the Ranger Battalion at Nylands Brigade, Lieutenant Colonel Lars Stenstrom. On Thursday the rangers in the anti-tank company, group 1/82 went through the test in the terrain in Syndalen.

The rangers moved ahead along a path approximately 1.2 km long and carried out all kinds of tasks. At one "control" the cassette of the gun had to be filled with cartridges, at one place the ranger had to move ahead past one of the enemy's posts, and he also had to move ahead, for one thing, through open fire and crawl along a ditch through the positions of the enemy.

The Moped People

"The young guys who come here to the brigade today are bigger and stronger than earlier. But they are probably what I would call representatives of the moped people, guys who have been sitting on the moped and in the car a little too much," reports Lieutenant Colonel Lars Stenstrom. "We try to improve the condition of the recruit continuously throughout the entire recruit period," reports Lars Stenstrom. "And we try to get the recruit interested in taking care of his physical condition even after he has been discharged."

"The objective of the recruit training has been set high," states Lars Stenstrom. "We try to train men who are knowledgeable and disciplined and at the same time full of initiative, men who can withstand heavy stresses and are willing to participate in the defense of our country. It should be possible to place the individual man in a wartime assignment; we should be prepared at all times," says Lars Stenstrom.

The Trainee Time Becomes 13 Weeks

The recruit training is renewed. The most noticeable change is that the time a recruit who has completed the reserve officer school serves as trainee has been extended from the previously 8 weeks to 13 weeks. Those who will be trained as

officers are ordered to the reserve officer school already after approximately one-half of the non-commissioned officer school. The January group this year is the first group which is trained according to the new system--besides in the Navy where the intention is that the changes will be put into effect in 1983.

According to the new system, all recruits regardless of service and branch are given first a uniform basic training. One new feature is also that the training of the personnel is concluded with a repetition period when all recruits--including those who are being trained as cooks, medics, etc.,--repeat the knowledge they have learned.

The training in the non-commissioned officer school is broken down into two stages. In the first stage the basic knowledge and skills of the squad leader are learned.

When one-half of the noncommissioned officer school has been completed, those who are to be trained as officers are ordered to the reserve officer school, while those who are to be trained as squad leaders remain in the noncommissioned officer school and go through the other training stages of the school where they are trained to lead their squads.

RUK [Expansion Unknown] As Before

The training in the reserve officer school continues approximately in its present form. The barely two and a half month long trainee period is extended to three and a half months. With this system the trainees will return to their units approximately at the same time as a new group moves in. In this way the trainees get practice in leading and training platoons.

And the special officer training for the relatively small group of recruits who have final academic examination goes through a considerable change. Previously those who were to be trained as special officers were selected on the basis of their application already before the recruit period, and they did not go through the noncommissioned officers course. After the reform they now start serving the recruit period normally and apply together with the other recruits for the reserve officer school. The decision on the special officer training is made during the course, and the special training itself is given during the trainee period.

Better Condition

In connection with the reform attention has also been given to the exercise and march training. The objective is gradually to increase the condition of the recruits to a level where at the end of the trainee period they can manage a full day's march on foot with full field equipment and that they achieve accurate orientation and swimming knowledge.

The learning ability of the recruits will be mapped more accurately than earlier. All participate in two basic tests. In the first test the learning ability is measured, and in the other test the leadership qualifications are measured.

The reform has been carried out due to the increased number of repetition exercises, the reduced number of recruits and the need for increasing the practical leader and training experience for those who are trained as reserve officers. A uniform basic training for the soldier is important since in the future in the infantry one is to a greater and greater extent forced in wartime missions to place men who have been trained in other services and branches.

From The 1960's

"The earlier system dates from the 1960's," reports the commander of Nylands Brigade in Dragsvik, Colonel Hans Christensen, "but earlier no need was found for changing it. In 1978 the main staff started a thorough investigation of the training system, and the new proposal was ready in the fall of 1981. The commander of the armed forces approved it, and now it has therefore been adopted," reports Hans Christensen.

8958

CSO: 3109/141

ARMY RENOVATES DATA-PROCESSING SYSTEM

Paris ELECTRONIQUES ACTUALITES in French 26 Mar 87 p 9

[Article: "The Army's New Data-Processing System"]

[Text] The oldest of our army's data-processing systems, the one called "general purpose" by the Ministry of Defense, was recently radically modified. In fact, its framework, the network of data-processing centers (CTI), was completely reorganized and equipped with new hardware in the space of 14 months, and without any interruption of its operations. Total cost of the project: nearly 200 million francs!

Such tasks as personnel management, payroll preparation, and the call-up of draftees, formerly handled by Burroughs B 4800 or B3800 computers are now being performed by CII-HB [International Data-Processing Company-Honeywell Bull] DPS 66 computers.

Of the four data-processing systems which the French Army plans to install, the so-called general purpose system was thus the first. The other three are the "weapon systems," the "aid to military decision-making," and the "aid to financial estimates." The last two systems are not yet fully operational.

Thus this general purpose system--whose 1982 cost will be approximately 200 million francs--handles the entire management of this huge "peacetime" organization with its budget of 33 billion francs for a personnel strength of more than 360,000 (including 40,000 civilians) in 1981.

The army's automatic data-processing facilities were first established in 1967 as a centralized operation with two national CIT's--one for personnel management in Paris, the other for logistical support matters in Satory--and seven regional CIT's--Bordeaux, Lyon, Marseille, Nancy, Paris, Rennes, and Valenciennes--all initially controlled by a central agency, the STAIAT [Army Automatic Data-Processing Service]. Today, these CIT's are autonomous and the army is making extensive use of minicomputers and distributed processing.

Military authorities emphasize, however, that "the general purpose system retains all of its value for all of those applications transcending a single branch of the service and requiring a large processing, printing, and storage capacity: personnel management, pay, draftee call-up, financial and

operational logistics programming."

Actually the recently completed modernization program was carried out within the general purpose system's regional facilities. The army feels fortunate to have successfully completed this project despite the following three major constraints:

- a. Time: the contract was awarded to CII-HB on 15 November 1978 with the stipulation that the equipment had to be delivered before 1 January 1980 and all installation work completed by the end of 1981. These target dates were met.
- b. Naturally, no interruption in the various centers' operations.
- c. No external augmentation of operating personnel.

We must add that the military authorities did more than replace the equipment in the CII's by changing the equipment's manufacturer, a move which also required an impressive upgrading of support facilities. They also used this opportunity to restructure the entire regional organization and disband the Marseilles and Valenciennes centers and transfer the Nancy center to Metz.

As things now stand, the army's general purpose data processing system consists of a national component and a regional component. The national part includes the unchanged logistics CTI in Satory and a DPS 66/40 computer in the Mont Valerien [Paris] CTI. The regional part has the five remaining CTI's whose Burroughs B 4800 and B 3800 computers have been replaced with DPS 66/1 computers manufactured by CII-HB. Through distributed processing all information processed by the Paris DPS 66/40 main computer is relayable to the new regional computers and vice versa. Lastly, remote-processing and data-transmission networks have also been modified.

The number of terminals linked to the system has almost doubled. It has risen from four to now seven large terminals (Sfena CO/500) and from 40 to 79 small terminals tied into the Paris CTI. The number of terminals linked to all the regional computers has increased from 11 to 15 large terminals and from 36 to 120 small terminals.

In addition, communications facilities--military circuits and use of the Caducee network--have been expanded by connecting into Transpac [French data transmission system] all CTI's and some 100 remote-processing terminals (Thomson-DAP 66/60 or 66/80).

Army officials state that "with this modernization program, we have achieved a major 'first' within the Ministry of Defense."

8041
CSO: 3100/529

BRIEFS

ANTITANK HELICOPTER PROJECT CANCELLED--German authorities have rejected the joint Messerschmitt-Boelkow-Blohm (MBB) and Aerospatiale (SNIAS) proposal for construction of a 4.2-ton antitank helicopter with an airframe using the dynamic components of Aerospatiale's Dauphin helicopter. MBB has just announced its intention to build an antitank helicopter whose engine and weapon system would be American. These requirements are unacceptable to France, and to Turbomeca, Thomson, SAT [Telecommunications Corporation], and TRT [Telecommunications, Radio, and Telephone Company]. The two governments will reportedly abandon any cooperation on antitank helicopters. A very serious decision whose hoped-for counteracting aspect is that the French-German tank project will resurface once again even though it is in jeopardy. [Text] [Paris L'USINE NOUVELLE in French 1 Apr 82 p 51] 8041

CSO: 3100/554

DEBATE OF JAS AIRCRAFT CONTINUES AS DECISION NEARS

Hirdman: 'Decision Must Be Made Now'

Stockholm SVENSKA DAGBLADET in Swedish 19 Mar 82 p 3

[Article by Sven Hirdman]

[Text] Sven Hirdman is undersecretary in the Department of Defense. A second article will be included in the Saturday newspaper. Earlier contributions on JAS [Jakt-, Attack- och Spanings-flygplan; Fighter, Attack and Reconnaissance Aircraft]: Ulf Larsson March 1, Magnus Ingemar Olsson March 3 and Per-Olof Gutman and Rolf Johansson March 14.

Our treatment of the aircraft question has attracted attention even abroad because of its great importance for the Swedish security policy. In the end it becomes a question about credibility in whether we can make even difficult decisions which extend far into the future.

On 9 March the government presented its defense proposition to Parliament before the 1982 defense decision. One of the most important proposals in the proposition pertains to the procurement of a Swedish JAS aircraft system after Viggen. The debate on JAS has been lively and becomes more and more intense as we approach the decision in Parliament. This is good since JAS is one of the big future questions for our country--its consequences extend 50 years into the future.

In two articles I will try to explain why a JAS is required and why a decision must be made now.

The large Swedish territory in the boundary area between the eastern and the western powers requires a strong and all-round air defense. The most important component in this defense is the fighter. For defense against attacks across the national border and over the sea it is necessary in addition to the army forces and the navy forces to have an effective and mobile force with a high degree of preparedness, the attack aircraft. Reconnaissance aircraft are required in order to find out about preparations for attack and to monitor the borders and the coast.

The strategic and military-technical development in Northern Europe simultaneously places increased demands on us in the future.

Don't we have enough aircraft for these three functions? Yes, during the 1980's but not during the 1990's and later. The last Draken squadrons--an aircraft developed in the 1950's--will be retired in the middle of the 1990's. The oldest Viggen aircraft, the Attack Viggen, was developed in the 1960's, was placed in service in 1972, and in 1992 it will have flown for 20 years, which is its total estimated life.

For pure age reasons our 5.5 squadrons of the Attack Viggen and three squadrons of the Reconnaissance Viggen must be replaced with new squadrons during the 1990's. This is a total of at least 140 aircraft. Before then at the end of the 1980's our five squadrons of light attack aircraft, SK 60, will have left the military organization without having been replaced.

Must Start in 1982

One good rule of thumb to remember is that it takes 10 years to develop a new aircraft system, while each aircraft can later on have a life of 20 years. If we want to have new Swedish aircraft in 1992, we must therefore start to develop them in 1982.

Our future need for aircraft has been recognized by all parties in the defense committee. It has been stated both by the Commander in chief and by the ordinary military administration that it will be difficult for the fighter to be replaced by other air defense systems and also that it is relatively inexpensive to equip fighter planes with a reconnaissance function.

And finally it has been stated that a cost-effective solution to the mobile attack function is to combine it with the fighting and the reconnaissance functions in one and the same aircraft system. It is worth noting that properties of the fighter aircraft are placed first. When the Viggen system was developed, one started with the attack version, which later on led to an expensive redesign when one continued with the Viggen fighter.

Gives Freedom of Action

Sweden will never be able to compete with the big powers on the question of numbers of aircraft. A big-power aggressor also has the advantage that he can choose the time and the place for an attack against Sweden.

JAS is a Swedish reply to this dilemma. By procuring a sufficiently large number of a uniform aircraft which can appear in all of the three fighter, attack and reconnaissance functions we obtain freedom of action and ability to gather our forces.

If the air defense threat is the biggest, we can use all JAS aircraft in the fighter mission. On the other hand, if a sea invasion is the most serious threat, all the planes can fight this threat. An opponent can never know how we distribute our resources, which creates uncertainty and greater risks for him.

We know that our economic resources are limited, especially in the defense sector. We also know that we can only afford to develop one new military aircraft system during the time up to the end of the century. One basic condition for the JAS project was therefore that JAS should become an aircraft which was lighter and less expensive than Viggen not only with regards to development and production but especially in operation and maintenance.

Only if we are successful in this can we afford to procure JAS aircraft in sufficiently great numbers to obtain the operational freedom of action. A Swedish JAS aircraft is therefore estimated to weigh only 8.5--9 tons as compared with 15--17 tons for Viggen. Even internationally we can now observe a trend towards lighter aircraft of a standard type.

New Business Idea

In spite of the low weight, JAS will get the same or better performance as Viggen, one of Europe's most modern aircraft systems today. This will be done by utilising the most advanced technology inside and outside the country. A JAS aircraft cannot be produced in series today. Its development can be started today for series production around 1990.

Foreign cooperation is a necessary condition for a Swedish JAS--just like it has been for Draken and Viggen--not only to be able to participate in the technology which we may not have inside the country but also to reduce the cost through joint development and joint production of different subsystems.

The purchase of the JAS is based on a new business idea. A greater responsibility and thus a greater risk will be borne by the Swedish aircraft industry. This will be done by buying at fixed price with respect to the entire development work and the first series aircraft and by having the industry take greater overall responsibility for the product. In other respects too firm commitments are required from the side of industry, e.g., with respect to the maintenance costs. The purpose of this risk sharing is to obtain the greatest possible economic security for the government.

Hanging in the Air

The Swedish defense planning is based on fixed 5-year defense decisions. The 1982 defense decision will be adopted by Parliament this spring after 4 years of preparations. A decision about a new aircraft system is such a big question for the entire defense, especially in its economic consequences, that it must be made in connection with a defense decision.

The experience from the 1977 defense decision, when the A 20 and B 3 LA projects were of interest, shows that since one did not succeed in agreeing on them in the defense position, it was not possible to make separate aircraft decisions the following years. Since the new position on JAS came into being at the end of 1979 and the beginning of 1980 and was confirmed in a 1980 parliamentary decision, the intense foundation work according to the directions by Parliament has been carried out so that a final decision could be made in 1982. If the JAS decision is not made in 1982, other big parts of the defense decision will be hanging in the air.

Completely apart from the political decision process, a decision on the aircraft is required this year if we want a Swedish developed aircraft to fill the gap after the oldest Viggen aircraft at the beginning of the 1990's. Ten years is a very short time to develop a complete new aircraft system. If a decision is made about a Swedish JAS, it is also important that the work be carried out in such a way in the aircraft industry that it can be phased in after the production of the Viggen fighter, which should cease in 1988 according to the plans.

Question About Credibility

Ten years of reports have preceded today's JAS decision. During the last two years the government and industry together have invested 400 million kronor in order to develop a sufficiently solid foundation for a decision on the JAS project. Our treatment of the aircraft question has attracted attention not only inside the country but also abroad because of its great importance for Swedish security policy. It becomes finally a question about credibility whether we can also make difficult decisions which extend far into the future.

An additional reason for a decision this year is that we cannot afford to pay one more year of project costs which do not lead anywhere. Especially the Social Democrats have criticized the large expenses for aircraft projects which previously were not realized. With regards to B 3 LA, however, this is in part unjust criticism since a great deal of the B 3 LA work could be utilized in the JAS.

Plane Would Increase 'Respect for Neutrality'

Stockholm SVENSKA DAGBLADET in Swedish 20 Mar p 3

[Article by Undersecretary of State Sven Hirdman on JAS: "The Swedish Plane Creates Respect for Neutrality"]

[Text] Parliament's task for the government in 1980 was to study in parallel the procurement of a Swedish JAS and some form of a foreign JAS. This has also been done. The evaluation work which the chief of the air force, the commander in chief and the defense committee made has made it easier for these three authorities to recommend the procurement of a Swedish JAS aircraft. In the evaluations the Swedish JAS aircraft offered has been compared against the established operational requirements and against the available economic framework.

The result of the evaluation does not show that a Swedish JAS is superior to its foreign competitors in every respect. On the other hand, it is clear that a Swedish JAS should be able to satisfy our essential system requirements at a reasonable cost. The system aspect is important. JAS is a system whose different parts--aircraft, weapons, pilots, base organization, combat leadership--will give us an overall effect which involves an essential strengthening of our future air defense.

JAS Carries on Tradition

During the entire post-war period the alliance-free Swedish security policy has been supported by a strong defense, which has included Swedish-made aircraft. Tunnan, Lansen, Draken, Viggen is an impressive series, which has created respect for the Swedish neutrality policy abroad. Procurement of a Swedish JAS system carries on this tradition.

This becomes even clearer if it is taken into consideration that the alternative to a Swedish JAS is aircraft procured from NATO countries. It is inherently correct that a Swedish JAS--in the same way as Draken and Viggen, although to a somewhat greater extent--will include certain components and system solutions obtained abroad, primarily from the western powers. However, the dependence becomes considerably less than for directly purchased aircraft or aircraft produced on license, which is the most expensive alternative.

Pay More for Swedish

The development and production of a JAS in Sweden has obvious industrial-political advantages. It may possibly be most important to stand guard around the unique competence which the development divisions in the Swedish aircraft industry constitutes and the competence of the many skilled professional workers. The aircraft industry represents one of the now not too many so-called leading technologies in Sweden with the effect of spreading to a great part of the shop industry. The military aircraft industry in turn constitutes a basis for developing a vital civilian aircraft industry, which has been noted by, for instance, the Hagstrom and Norling reports.

It is our ambition that as large a part of the JAS aircraft as is technically and economically possible must be Swedish. The configuration and the design are tailored for Swedish conditions, and the aircraft will be just as Swedish as Viggen is a valve.

We should even be prepared to pay somewhat more for a Swedish aircraft because it has such big advantages--militarily, industrially, and with respect to employment. In turn we do not have to pay for a technology which we do not need in all parts as in the alternative of foreign procurement. The preservation of the competence of the Swedish aircraft industry simultaneously constitutes substantial support for the operation of our present aircraft systems.

Demanding Final Negotiations

After the Defense Committee in its final consideration on 1 December 1981 recommended the procurement of a Swedish JAS, the government on 3 December gave the Armed Forces Materials Administration the task of concluding the negotiations with the SA-Industry Group. The negotiations should be concluded on 1 May 1982. Reporting back to the government was carried out on 1 February and 15 March.

The ambition is that an essentially complete contract should exist on 1 May containing firm economic and technical commitments. Parliament should thus have a complete foundation for decisions when it takes its position in June. After all, this foundation is better than the corresponding foundation when the ~~political~~ decision was made on Viggen.

As stated in the defense proposition, the government's recommendation of a Swedish JAS is dependent upon the ongoing negotiations leading to a result which is satisfactory to the government at the latest on 1 May. There are no indications today that this will not be the case. However, one should be aware that a demanding and difficult final negotiation remains with many interested parties involved.

Problem Solved Gradually

It is important to emphasize that the parliamentary decision which is to be made is a decision about the development of a new aircraft system. The development work will be carried out during all of the 1980's and includes five experimental aircraft. It involves work with new technology.

It is obvious that many problems must be solved successively during the progress of the development work. Firm procedures are anticipated for the government to have full insight into and control over all design changes. If today we had the answer to all technical questions, the series production could start immediately, but then the result would also be an obsolete aircraft.

The government's proposal to Parliament includes a request for an appropriation for approximately 13 billion kronor in order to pay for the entire development work, the production of the first 30 series aircraft, weapons, etc. The amount will largely correspond to a fixed price contract with the aircraft industry. The payments according to the authorization will be made over more than 10 years. The reason why the procurement of the first 30 aircraft is coordinated by the development work is that this gives greater stability to the entire project and results in an overall lower price for the government.

The government proposes that approximately 140 JAS aircraft be procured up to year 2000 in order to replace the Viggen attack and reconnaissance aircraft which will be retired from the military organization during the 1990's. The costs for this and for the development work are included in the so-called JAS framework of 25 billion kronor, which even includes weapons, reserves, etc. Regarding the continued series production after year 2000 it is stated that decisions must be made later on. The breaking point for a national development and production to be profitable as compared to foreign procurement would probably lie around 250 aircraft. The total number of Viggen aircraft is 330.

Engine Co-Produced

Several concrete problems have attracted attention in the debate on JAS. The most important problems will be commented on below. It must always be kept in mind that it involves the procurement of a complete JAS system, where the different parts must be balanced against each other and not a single aircraft platform. It must also be kept in mind that it involves development work which should lead to series production in the 1990's.

Engine performance. The trend towards a light JAS aircraft, which would be inexpensive in operation, led the JAS Industry Group to choose a version of the General Electric engine F 404 for its offer. Pratt & Whitney's competing F 1120

engine gives even better performance in certain respects but also a heavier and more expensive aircraft. With respect to the restrictions which exist for economy and the lowest number of aircraft up to the end of the century, the chief of the air force has backed the selection of the F 404 by the Industry Group. The condition is naturally that the F 404 satisfies the performance requirements set up.

It is furthermore important that the GE engine during the progress of the development work gets such a potential that it can satisfy the performance requirements in the year 2000. The chosen engine will be co-developed and co-produced by Volvo Flygmotor [Aircraft Engines] and General Electric. In order to protect our interests in the event of a blockade and a war, the engine agreement also includes the right to produce the entire engine under license.

Control System a Problem Which Can Be Solved

The wing construction. In order for JAS to become as light an aircraft as possible, it is necessary for wings and part of the fuselage to be produced from composite materials. The present configuration is based on the experience with Viggen. In collaboration with a foreign aircraft producer SAAB is investigating the possibilities for equipping the aircraft with a different wing, which should be able to give the aircraft even better properties, especially with respect to turning performance. This problem should be seen in connection with the engine choice.

Wind tunnel tests are now being carried out with the new wing. It is our ambition that the new wing should form part of the agreement decision on 1 May. However, a continued parallel evaluation should possibly be made after 1 May. The new wing design should be used if it technically and economically leads to a better aircraft.

The control system. This is naturally an essential problem from an aircraft safety point of view. The JAS aircraft is unstable in certain speed ranges but becomes stable by using an electric control system. This is nothing new. Unstable aircraft have better maneuvering properties than other aircraft. Examples of modern unstable aircraft with electrical control systems are, for instance, the American F 16 and the French Mirage 2000.

With respect to JAS the technological challenge is to design an electrical control system for such a small unstable aircraft. The requirements on the control system become especially high in this case. However, this is a problem which can be solved. As a stage in the JAS work there will also shortly be a first testing of an electrical control system in a Viggen aircraft.

Weapons Than Viggen

Weapon. JAS will not be underequipped with weapons, but will have comparatively better weapon equipment than Viggen. A greater fraction of the total system costs has been assigned to new procurement of weapons, especially guided missiles, both of Swedish manufacture and procured abroad. In addition, JAS will inherit some of Viggen's weapons.

All together this means that JAS will give our air defense a considerably improved capacity already in the 1990's. The JAS idea itself implies that all JAS aircraft will be able to carry guided missiles with the same qualifications. Through the procurement which takes place in Sweden JAS will support a Swedish guided missiles industry.

Reserves. First of all there will be considerably less economic uncertainty with JAS than with Viggen as a consequence of the government's requirement for fixed price and risk sharing with the industry. Economic reserves are also required to clarify the problems which one according to experience knows will occur during the progress of the construction work, unexpected events, and also necessary quality improvements as the consequences of changes in the so-called breadth picture. Adequate reserves are also built into both the so-called JAS framework (25 billion to the end of the century) as well as in the form of room which has not been planned into the long term budget of the air force.

With respect to the state of the negotiations it is difficult to specify here the exact size of the reserves. The point of departure for calculating the reserves is the assumption about a prolonged defense budget with unchanged purchasing power. The new defense price index (FPI), which was introduced on 1 July in order to regulate the wage and price increases within the armed forces, allows a completely different safety in the future planning than the corresponding net price index (NPI).

Greatest Possible Agreement

The JAS work has been carried out with the greatest possible openness because of its great national importance. The Moderates and the Social Democrats have been given access to the same foundation for decisions as the government parties. It is the government's ambition and hope that the parliamentary decision in June will be made with the greatest possible political agreement. The government has now placed its proposal on the table. It remains for the other parties, especially the Social Democrats, to determine their attitude.

Socialist Spokesman Cites Doubts

Stockholm SVENSKA DAGBLADET in Swedish 30 Mar 82 p 3

[Article by Ulf Larsson: "Reply on JAS. At What Price?"]

[Text] Ulf Larsson is research secretary for the Social Democratic parliamentary group and he was undersecretary in the Defense Department in 1974--76. He has previously written on 1 March. Other contributions: Ingemar Eliasson 19 February, Magnus Ingemar Olsson 3 March, Per-Olof Gutman and Rolf Johansson 14 March, Sven Hirdman 19 March and 20 March as well as Torulf Jansson, Lasse Karlsen, Ingemar Lind 25 March.

Since my first article was entered in SVENSKA DAGBLADET, the government's defense proposition has been presented, and some debaters, most recently Sven Hirdman, have also made comments on the JAS problem. With regards to just the aircraft procurement it clarifies two important circumstances.

end of the century. Within this framework one must also cover the increased dollar rate-of-exchange costs, which now are approximately 25 percent higher than estimated.

For a third thing the performance of the project must correspond over the long range to what the military authorities consider necessary. It is not possible to want a plan with considerably better quality. The expectations must be lined up according to the economic conditions.

Continuous Examination

For a fourth thing. Today it is not clear whether the project can be realized. This is maintained already in the report from the commander in chief, and it is also clear from some expressions in Hirdman's contribution, which especially shows that in essential respects it is technical reorganizing which must be clarified. This has also been illustrated by the contribution by Torulf Jansson et al. on unstable aircraft.

This makes it completely necessary for a continuous examination of the project, and the government must therefore have full control in technical and economic respects. In the agreements industry must also assume significant risks, such as guarantees for the operational reliability.

A fifth thing is that if cost increases should occur through, for instance, requirements for modifications and development of the aircraft, it must be paid within the framework of the air force. Hirdman's article talks, for instance, about the engine having to have such a development potential that the requirements in the year 2000 can be met and that a wing different from the original will be included.

Whether there is coverage from a cost point of view for these increased ambitions is therefore not clear. It should be clarified in advance so that the military authorities will have all points of departure clear and so that possible cost increases will not infringe on other defense objectives.

Strange Government Policy

The sixth thing is that it is necessary for the government to have free right to use those technical innovations, etc., which may be developed during the JAS work. They can of course be used in other military and in civilian projects, and then the government must not have to pay for this several times. In contrast to what the government maintains, not even a JAS project will involve a continuous development of combat aircraft in Sweden. After 1990 the development work will drop quickly. Industry must therefore, and this is point seven, align its planning toward a principal civil production in the aircraft industry. These relationships should be clarified for the companies involved.

In this, as in many other questions, we get to experience a strange government policy. They cry very confidently: "We will have a Swedish JAS." But at what price, with what performance and under which conditions have not been clarified. This has placed the government's negotiators in a difficult negotiation position.

One circumstance is that in spite of all reassuring statements there actually are no problems--either economic, technical or commercial--with the agreement negotiations, there is still no agreement between the government and industry. Instead we have been allowed to read some weeks ago in the press that non-socialist members of parliament felt concerned about the situation after the report from the Materials Administration. In that case this was understandable.

Not Approve the Proposal

The other circumstance is that the government proposal does not report any acceptable basis for the decision. It is very serious that one does not clarify the economical, technical and commercial conditions which according to the government should be present for an acceptance of the JAS project.

Through our party we have demanded an acceptable basis for a decision. We have said that it is necessary that in case of a decision one can take a look at what one gets for the money for the planned JAS project, what performance and what operational reliability the plane has, which guarantees and which commitment the industry makes, which promises for the future it is prepared for, and the economic conditions for the project.

However, in the proposition the government has not taken the chance on clarifying how it looks at these problems. On the basis which can be found in the proposition the Social Democrats cannot approve of the government proposal.

A proposition with these flaws should actually have been sent back to the government offices, but in view of the time relationships we have refrained from doing so.

No Appropriation Promises

We Social Democrats have found it necessary now that the government has not been able to or has not chosen to give Parliament a better basis to specify those guidelines which according to our opinion should apply for the procurement of the aircraft.

It is first of all that some promises about future increases in appropriations for the military defense cannot be given. Sven Hirdman's article can be interpreted as if the government is prepared to make such a promise. From the side of the military authorities one has namely requested what one calls "real preserved purchasing power," i.e., more money than what the price regulation system gives.

In practice this means increased defense appropriations. That would indeed be sensational if the Center Parties in the sign of the social disarmament now makes guarantees to the military. The Social Democrats cannot agree with such a presentation.

For another thing a JAS project must stay within the means set aside in the defense planning (24.9 billion for development and 140 aircraft up to the

At long last it seems that the government has realized this. If it is interested in getting a broad agreement on the defense problem, it should get together and join in on the guidelines for the aircraft procurement which the Social Democrats have presented. And also submit a possible coming agreement in Parliament.

8958

CSO: 3109/139

GENERAL

SWEDEN

BRIEFS

COUNTRY'S POPULATION DECLINING--Sweden's population will decrease during 1982, something which has not happened since the start of the 1800's. The decrease is estimated at a good 3,000 persons. The number of newborn continues to decrease. With the present tendency there will be 93,500 against barely 94,000 last year. The number of deaths increases, with the same preliminary prediction, to a good 92,200 as against 92,000 in 1981. What is worse--the immigration decreases and the emigration increases. The small birth surplus of a good 1200 persons is eaten up by an immigration deficit of almost 5,000 persons. During the first two months of the year, which are used as a basis for the prediction by the Central Statistical Office, the immigration decreased by 7.4 percent while the emigration increased by 16.9 percent. Sweden's population at the end of 1982 should then be approximately 8,318,000 as against 8,322,000 today. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 17 Mar 82 p 1] 8958

CSO: 3109/138

END

END OF

FICHE

DATE FILMED

May 20, 1982